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# ***Daily Report***

## **China**

FBIS-CHI-88-121  
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# Daily Report

## China

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## General

### Foreign Ministry Gives Weekly News Briefing

#### Denies Missile Sales

HK2306123488 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0921 GMT 23 Jun 88

[Text] Beijing, 23 Jun (ZHONGGUO XINWEN SHE)—Chinese Foreign Ministry spokesman Li Zhaoxing said today that the report on China considering sales of missiles to Syria is groundless.

In response to a reporter's question, Li Zhaoxing made this remark at a press briefing this afternoon.

#### On SRV Withdrawal Verification

OW2306102588 Beijing XINHUA in English  
1003 GMT 23 Jun 88

[Text] Beijing, June 23 (XINHUA)—Strict international supervision and on the spot verification should be called for to the withdrawal of Vietnamese troops from Kampuchea, said Li Zhaoxing, Chinese Foreign Ministry spokesman here today.

In answering to reporter's question on Vietnam's announcement of withdrawal of troops from Kampuchea starting from June 30 at the weekly news briefing here this afternoon, Li said that if Vietnam really has the sincerity to withdraw troops from Kampuchea it should present a short time table and withdraw all its troops from Kampuchea at an earlier date.

Vietnam has announced that it cannot withdraw all its troops from Kampuchea until 1990 or even early 1991, Li said, adding that this only shows that Vietnam has no sincerity to settle the question of Kampuchea up to now.

Li regarded all the previous partial withdrawal of Vietnamese troops from Kampuchea as the rotation of troops.

#### Denies Pol Pot Asylum Report

OW2306112588 Beijing XINHUA in English  
0959 GMT 23 Jun 88

[Text] Beijing, June 23 (XINHUA)—Chinese Foreign Ministry Spokesman Li Zhaoxing today described a report of "THE WASHINGTON POST" of the United States as "very irresponsible" and "utterly groundless."

The report says, according to Li who was speaking at a press conference here this afternoon, "Once an agreement is reached between various parties concerned on the settlement of the Kampuchean question, China will be ready to accept Pol Pot to take refuge in China."

At present, Li said, the key to the settlement of the Kampuchean question is that Vietnam must withdraw all its troops from Kampuchea as soon as possible.

After the withdrawal of the Vietnamese troops, he said, the internal question of Kampuchea should be solved by the Kampuchean people themselves through consultation.

"We are in favor of a four-party coalition of Kampuchea under the leadership of Prince Sihanouk. We do not favor any single party taking power, nor do we favor any party being excluded from the power. The above-mentioned China's position is known to all," the spokesman said.

#### More on Pol Pot Asylum

HK2306114288 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0920 GMT 23 Jun 88

[Text] Beijing, 23 Jun (ZHONGGUO XINWEN SHE)—Asked about a recent report by the U.S. newspaper THE WASHINGTON POST that China would grant asylum to Pol Pot once all the parties concerned reached an agreement on the Cambodian issue, Chinese Foreign Ministry spokesman Li Zhaoxing told reporters today: I must point out that this is an extremely irresponsible and completely groundless report.

Li Zhaoxing said: At present, the crux of the settlement of the Cambodian issue is that Vietnam must withdraw all its troops from Cambodia as promptly as possible. And Cambodia's international problems should be solved by the Cambodian people on their own through consultations after the withdrawal of the Vietnamese troops.

Li noted that China is in favor of a quadripartite coalition government under Samdech Sihanouk's leadership, objects to any program of rule by any single party, and opposes any attempt to exclude any party from the peace efforts.

#### Favors 'Cocktail Party' Talks

HK2306135188 Hong Kong AFP in English  
1327 GMT 23 Jun 88

[Text] Beijing, June 23 (AFP)—China formally denied Thursday a U.S. newspaper report that it would provide asylum to deposed Khmer Rouge leader Pol Pot as part of a settlement to the Cambodian conflict.

Chinese Foreign Ministry spokesman Li Zhaoxing also proposed Thursday that international observers oversee the withdrawal of Vietnamese troops from Cambodia.

Mr. Li said the WASHINGTON POST report was "utterly groundless" and that the newspaper had been "highly irresponsible" in publishing the story about Pol Pot's possible asylum in China.

The POST had cited U.S. government sources as saying China had informed Washington that it was ready to give asylum to Pol Pot and his principal collaborators to facilitate the implementation of a settlement in Cambodia.

The Khmer Rouge under Pol Pot killed hundreds of thousands of Cambodians until they were toppled by Vietnamese troops in early 1979. The Khmer Rouge now form the largest faction in the Chinese-backed tripartite Cambodian resistance.

THE WASHINGTON POST said in its report Saturday that the asylum proposal was made in March by Wu Xueqian, then the Chinese foreign minister, during a visit to the United States.

Such a proposal, observers said, would eliminate one obstacle to a settlement in Cambodia.

Vietnam has said it will remove all of its estimated 120,000 troops from Cambodia by the end of 1990 but has ruled out a return to power by Pol Pot.

The Chinese Foreign Ministry spokesman called for "international supervision and on-the-spot inspection" of "the withdrawal of all Vietnamese troops."

China proposed supervision of the Vietnamese troop withdrawal because past announcements of troop pull-outs by Hanoi had actually been disguised troop rotations, he said.

Hanoi has said it would withdraw 50,000 troops from Cambodia this year, beginning June 30, and the rest of its troops by the end of 1990.

The spokesman did not say which countries might be charged with the inspection China envisages.

Observers said the proposal is in line with a demand by Cambodian resistance leader Prince Norodom Sihanouk for an international peace-keeping force in Cambodia for at least five years.

The Chinese spokesman also reacted favorably, but cautiously, to the talks to be held among the four Cambodian factions at the end of July in Jakarta.

"It is worth having a try in the cocktail party," as the informal talks are known, he said.

But he immediately added: "In our view, whatever form the discussions take, Vietnam should participate and the question of the withdrawal of all Vietnamese troops discussed and resolved."

(Vietnamese Foreign Minister Nguyen Co Thach said at a press conference in Hanoi on Thursday that he was willing to "talk" but not "negotiate" with Prince Sihanouk at the informal talks in Jakarta next month.)

### **Opposes Soviet Pullout Delay**

OW2306103688 Beijing XINHUA in English  
1012 GMT 23 Jun 88

[Text] Beijing, June 23 (XINHUA)—Chinese Foreign Ministry spokesman Li Zhaoxing today urged the Soviet Union not to use pretext to delay the withdrawal of its troops from Afghanistan.

Li made this remark at the weekly news briefing here this afternoon when he was asked to comment on the Soviet indication that the Soviet Union may reschedule its troop withdrawal after the Soviet Union, India and the Afghan authorities repeatedly accused Pakistan of violating the Geneva Accords.

"We hope that the Soviet Union will implement the Geneva accords in real earnest and withdrawal all its troops from Afghanistan within the time limits set by the Geneva accords rather than cook up a pretext to delay its troop withdrawal and thus impede the political settlement of the Afghan question," he said.

### **Indignant Over Flag Incident**

OW2306105588 Beijing XINHUA in English  
0937 GMT 23 Jun 88

[Text] Beijing, June 23 (XINHUA)—China today expressed indignation over the recent incident in which its national flag in the town hall of Japan's Gifu Prefecture was pulled down by right-wing elements.

Speaking at a press conference here this afternoon, Chinese Foreign Ministry spokesman Li Zhaoxing demanded that the Japanese Government and authorities concerned take the incident seriously and bring the culprits to justice according to law.

"We are indignant at this despicable conduct by a handful of right-wing elements in Japan," he said.

Li continued that the series of recent incidents in Japan aimed at impairing the Sino-Japanese friendship "are by no means accidental."

"These incidents seen as a whole represent a trend toward damaging Sino-Japanese friendship," he added.

"This cannot but arouse the vigilance of both the Chinese and the Japanese peoples," he said. "We hope that the Japanese Government will pay due attention to this and take concrete and effective measures to prevent the reoccurrence of similar incidents in the future."



**Foreign Officials' Visits Announced**

OW2306102788 Beijing XINHUA in English  
0941 GMT 23 Jun 88

[Text] Beijing, June 23 (XINHUA)—Chinese Foreign Ministry spokesman Li Zhaoxing announced here today that President Jose Sarney of the Federative Republic of Brazil will pay a state visit to China from July 3 to 7 at the invitation of Chinese President Yang Shangkun.

Li also announced the following visits to China by foreign guests at this afternoon's weekly news briefing.

Foreign Minister Sahabzada Yakub Khan of the Islamic Republic of Pakistan will come to China on June 26 for a goodwill visit.

Foreign minister Joao de Deus Pinheiro of Portugal will, with his wife, pay an official goodwill visit to China from June 30 to July 6.

Bill G. Hayden, minister for foreign affairs and trade of Australia will, with his wife, visit China from July 10 to 20.

The above three visitors are the guests of Chinese Foreign Minister Qian Qichen.

Crown Prince Maha Wachiralongkorn of Thailand will pay a private visit to China from July 7 to 17 at the invitation of the Chinese Government.

**International Education Symposium Opens**

OW2206135688 Beijing XINHUA in English  
1158 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA)—An international symposium that opened here today will address a major task facing universities across the world—how to link higher education with social development more directly.

Over 60 university presidents and professors from Bulgaria, Federal Germany, France, India, Japan, the Soviet Union, Thailand, Britain, the United States, Yugoslavia and China arrived for today's session and were warmly greeted by He Dongchang, vice minister of China's State Education Commission, and Dr Muhammad Selim from the UNESCO.

The briefs and essays presented today outlining various countries' efforts to reform their systems of higher education show that though differing in measures and ways, higher education in these countries is aimed at the same target—the needs of the society for qualified personnel and economic and scientific development.

Hao Keming, commissioner of China's State Education Commission and deputy director-general of the National Center for Education development and policy research, said that China's reform in higher education is giving

more rights to schools of higher learning and more freedom to students in selecting universities as well as post-educational employment.

The reform is centering on the establishment of an educational system to better suit the country's socialist modernization construction, she said.

Things are somewhat different with universities in Federal Germany, said Dr Christian Bode, secretary-general of the Federal German Rectors Conference. Reforms are being carried out according to the different interests of students and the needs of employers for university graduates. He believed that the steady development of higher education will prevent a decline in faculty qualifications in the country's schools.

Japanese Professor Soichi Lijima, former president of Nagoya University and former president of the National Council on Higher Education Reform, expressed his concern over the divorce of Japanese universities from the development of society. The reform in Japan will be aiming at improving enrollment, teaching and research levels and prodding universities to open more widely to the masses and society.

He suggested that universities open to the world and become more flexible in exchanging courses and credits with each other; students be given more freedom in going to universities and colleges in any country; and a new type of international scholarship system be set up to promote the world-wide exchange of scientific information among students and scholars.

**XINHUA 'Roundup' on 'New Trend' in Arms Race**

OW2306015288 Beijing XINHUA in English  
0829 GMT 22 Jun 88

["Roundup: A new Trend of Arms Race Between Two Superpowers (by Qian Wenrong)—XINHUA headline]

[Text] United Nations, June 21 (XINHUA)—While welcoming the initial progress in the American-Soviet nuclear disarmament, delegates to the UN special session on disarmament has advised the world community to pay more attention to the dangerous new trend in the arms race between the two superpowers.

Delegates pointed out that the new trend is characterized by an extension into outer space and a shift to improving the quality of weapons.

The Indian delegation said that "the prospects for real disarmament will remain bleak so long as this technological arms race is allowed to continue unabated."

In the field of nuclear weapons, American and Soviet researchers have increased the emphasis on development of so-called "third generation" nuclear weapons such as the neutron bomb, x-ray laser, gamma ray laser and microwave weapons.



The third generation weapons are marked by the ability to achieve and enhance specific effects with nuclear weapons, while suppressing or eliminating unwanted effects.

In addition, the development of more accurate nuclear delivery systems is being explored. The manoeuvrable re-entry vehicle (MARV) is one example of such technology that is likely to dramatically increase the ability to deliver nuclear weapons with pin-point accuracy.

Many of the new weapons systems have already been deployed by the two superpowers.

During 1986 alone, the United States fielded approximately 800 new strategic weapons and almost 200 new theatre and tactical weapons. These included 100 warheads for the first 10 MX missiles, 200 warheads for the seventh Trident submarine, 300 air-launched cruise missiles, 50 sea-launched cruise missiles and 80 ground-launched cruise missiles.

During the same period, the Soviet Union also continued to field new nuclear weapons. According to U.S. intelligence estimates, the first 10 Soviet rail-mobile 10-warhead SS-X-24 intercontinental ballistic missiles were deployed in late October of last year. The developmental or prototype production of newer sea-launched ballistic missiles is under way.

In the field of outer space, both the United States and the Soviet Union have accelerated funding to develop their respective anti-satellite (ASAT) systems.

A UN report revealed that about 15 Soviet ASAT weapons could be deployed between now and 1990, whereas it is estimated that the American ASAT weapons should reach full operational capacity some time in 1989.

Despite budget cuts, the United States Strategic Defense Initiative (SDI) program is still going forward. The Soviet Union is also conducting a massive strategic defense research program and preparing a rapidly deployable nation-wide anti-ballistic missile defense system.

Kinetic energy weapons, directed energy weapons and electromagnetic guns are being developed to improve defenses against nuclear missiles, especially for use as anti-satellite weapons. Although these new weapons are being projected as "defensive", they also have offensive capabilities.

The growing role of military missions entrusted to space systems—reconnaissance, observation, communications, early warning, navigation—and the increase in the number of military satellites (about 100 each year for the Soviet Union and about 10 for the United States), is helping to define more and more acutely the problem of satellite security.

Some delegations to the UN pointed out that the words "conventional weapons" could already be a misnomer with the increasing accuracy, lethality and range of "conventional" weapons systems. New types of delivery systems are being developed and are capable of speeds ranging from five to 30 times the speed of sound and with larger payload capabilities. These vehicles can operate in both the atmosphere and space and negotiate intercontinental distances in 10 to 15 minutes.

The United States is developing fibre-optic guided missiles known as "Fog-M" which can fly at speeds of more than 700 kilometers per hour at an altitude of 200 meters and have automatic target-recognition capability.

It is worth noting that many new technologies, such as genetic engineering and biotechnology, have been used to produce chemical and biological weapons. One such technological innovation is the binary weapon that created a lethal nerve gas.

The ongoing revolution in electronics and computers is further transforming the nature of warfare. Weapons systems are moving from the "smart" to the "intelligent" phase. Artificial intelligence techniques are being considered for the development of autonomous vehicles and automated battle management systems.

If the new technologies are utilized for military purposes, there could be a new race to develop ever more hideous weapons, UN delegates warned.

Unfortunately, the U.S. delegation has expressed its strong opposition to any restrictions on the use of new technologies in military research and development.

As for the Soviet Union, there is no sign that it will give up the race to develop new arms systems programs in both nuclear and conventional weapons, or even in chemical and biological weapons.

**Qian Qichen's Speech at UN Disarmament Session**  
*OW2206013788 Beijing BEIJING REVIEW*  
*in English 13-19 Jun 88 p 14-18*

[“Text” of speech by Foreign Minister Qian Qichen, chairman of the PRC delegation at the Third Special Session of the United Nations General Assembly Devoted to Disarmament, made at the session on 2 June]

[Text] As we gather in the headquarters of the United Nations for the third time to devote ourselves specially to the issue of disarmament, we find ourselves in a world where the arms race is still going on, the international situation remains turbulent, peace is jeopardized and security not ensured. The danger of war is still there. But on the other hand, we see that over the years there have been increasingly strong calls from people everywhere for a halt to the arms race and for preservation of world peace. The developing countries want development and peace. The developed countries want no war. The United

States and the Soviet Union, too, declared that a nuclear war cannot be won and must never be fought. The Non-Aligned Movement and numerous world and regional organizations and conferences have been engaged in the search for proper solutions to the major issues confronting various regions and the world as whole. The people of the world and all peace-loving nations with their aspiration and actions to maintain peace are playing a role of growing importance in containing war. Therefore, we believe that while the danger of war still exists, the forces for peace outgrow the factors making for war and that peace can be maintained. Recently, there has been some new positive development in the international situation. The conclusion of the treaty between the USSR and the U.S. on the elimination of their intermediate-range and shorter-range missiles last December has led to a certain degree of relaxation in East-West relations. The signing of the Geneva accords on the Afghan question last April has shown that progress has been made in the endeavour to seek political settlement to regional conflicts.

Ten years have elapsed since the convening of the first special session of the UN General Assembly devoted to disarmament in 1978. We are pleased to note that this has been by no means a fruitless decade.

Firstly, the campaign to halt the arms race and promote disarmament constitutes an ever stronger force for maintaining peace and containing war. Numerous countries have joined in the struggle for disarmament. Various social forces working for peace have converged into a surging and irresistible historical trend.

Secondly, an effective approach has been adopted for disarmament. Since the first special session of the General Assembly devoted to disarmament, the international community has realized more and more clearly that the armaments possessed by either of the two superpowers, the United States and the Soviet Union, far exceed those of any other country and that the nuclear weapons they possess account for more than 95 percent of the world's nuclear arsenal. In view of this fact, the two superpowers bear a special responsibility for disarmament and should take the lead in drastically reducing their armaments, especially their nuclear weapons. Now this view is shared by all countries in the world, including the United States and the Soviet Union. Disarmament has been turned from a good desire of the people of all countries into an action that has a clear starting point and practical goal.

Thirdly, some concrete progress has been made in disarmament. The U.S.-Soviet INF treaty is the first treaty ever signed between them for cutting down the existing nuclear weapons. It is our hope that this treaty will be observed and implemented in real earnest and that the United States and the Soviet Union will continue to move forward on the way to reducing strategic nuclear weapons and the other types of nuclear weapons.

You will, I believe, agree that the achievements made in the disarmament field have been hard-won. These achievements, though initial, have been encouraging to the people striving for disarmament, bringing them some hope for further disarmament.

Now I would like to take up the other aspect of the question. That is, the current situation remains grave; the task for disarmament is still most arduous and we have a long way to go, so we should never slacken our efforts.

First, as we all know, the nuclear weapons covered by the U.S.-Soviet INF treaty constitute a very small portion, only 3 to 4 percent, of the nuclear arsenals of the two countries. If they can reach agreement on the 50 percent reduction of their strategic nuclear weapons and implement it, they would be taking another step forward. The results of the recent U.S.-Soviet summit show that it will take an arduous process of negotiations to reach such an agreement. The problem is that even if they do cut by half the number of their nuclear weapons, their nuclear arsenals will still account for approximately 90 percent of the world's total and moreover, will hold absolute superiority in quality, sufficient to destroy all life on earth many times over, thus keeping humanity under the shadow of nuclear threat.

In their negotiations on disarmament, the two superpowers have paid great attention to "balance" and "equal security" between themselves. The question, however, is whether with "balance" and "equal security" between them, there will be peace and tranquility in the world. Things are by no means that simple. The egregious imbalance in military forces between the two superpowers and the rest of the world makes the vast majority of countries feel extremely insecure. This state of affairs cannot be changed unless the two superpowers take the lead in drastically reducing their nuclear weapons of all types. Second, chemical weapons pose a threat to and are detested by mankind. So far there have occurred from time to time instances involving the use of chemical weapons between belligerents. Therefore, besides nuclear disarmament, the issue of complete prohibition of chemical weapons requires the efforts of countries around the world for an early solution.

Third, as nuclear disarmament is under progress, conventional arms reduction should not be neglected either. One should not forget that conventional weapons were invariably used in the frequent military invasions and armed occupations of sovereign states which have taken place since World War II. In Europe, where the countries are deeply concerned about disarmament, what the two major military blocs in sharp confrontation possess are mainly conventional arms. The bulk of the US\$1,000 billion worth of world military expenditure every year is spent on conventional weapons. At present, conventional armaments are developing rapidly. The number of naval vessels is growing; weapons are being upgraded at a faster pace; and advanced science and technology are

being increasingly applied to conventional weapons, resulting in greater accuracy, kill and destructiveness. Particularly disturbing is the fact that there is no impassable chasm between conventional war and nuclear war. Once a large-scale conventional war breaks out, no one can guarantee against its escalating into a nuclear war. Therefore, it is our consistent view that drastic conventional arms reduction is also of great importance.

I should also like to stress that since all have expressed support for disarmament, it is self-evident that first and foremost the arms race should be halted. It will go against the wish of the people of the world for disarmament if, after some cuts in armaments have been achieved through years of painstaking and complicated negotiations, all-out efforts are made to push the arms race forward. It is regrettable that the arms race is still going on. The two major nuclear powers are stepping up their efforts to upgrade their nuclear weapons and delivery vehicles. Long-range cruise missiles have emerged as a new strategic nuclear force and are in the process of further development. Strategic nuclear weapons are being improved in respect of accuracy, mobility and stealth. So are tactical nuclear weapons. With the development of space weapons, a new type of strategic weapon which serves concurrently defensive and offensive purposes, outer space, which is a common heritage of humanity and ought to be developed and utilized for peaceful purposes, will become an area of arms race between the two superpowers.

At present, people should be on guard against an important change which is taking place in the superpower arms race, i.e., quantitative reduction but qualitative improvement. Their nuclear weapons have been piled up to such a magnitude that, as is aptly pointed out, it makes no real difference whether one can destroy one's opponent 60 times or 40 times. Therefore, application of the latest scientific and technological research findings to the development and manufacture of new types of weapons is becoming a new trend in their arms race. This is very dangerous. Numerical reductions in armaments are of course a good thing. But will qualitative development of more and newer types of armaments make the world safer and peace more secure?

What should be done when we face so many complex problems in the field of disarmament?

In our view, successful experience in disarmament gained so far can serve as an important guide to the solution of these problems.

First, experience tells us that a realistic objective must be set and an effective approach followed if there is to be success in disarmament. The present situation of world armaments determines that the superpowers bear a special responsibility for disarmament and that they should take the lead in drastically reducing their respective

armaments. Their signing of the INF treaty is a first step in line with this effective approach. Only by persisting in this approach can we achieve further concrete results in the cause of disarmament.

Second, experience tells us that disarmament is a major issue concerning world peace and the security of states. All countries, big or small, strong or weak, should have a say and the right to take part in discussions and to raise demands and put forward suggestions. In fact, progress made in the disarmament field so far is not separable from the joint efforts by all countries.

Third, experience tells us that the role of the people of the world should not be ignored: The World Disarmament Campaign initiated by the United Nations, the voice of nongovernmental organizations and the discussions by academic societies have produced tremendous impact morally and psychologically and in the aspect of public opinion, giving a strong impetus to the cause of disarmament.

Here I wish to briefly sum up the consistent position and propositions of the Chinese Government on disarmament as follows:

1. As the nuclear arms race poses a general, grave threat to world peace and security, nuclear disarmament should be given top priority in the reduction of all types of armaments.
2. The ultimate goal of nuclear disarmament is the complete prohibition and thorough destruction of all nuclear weapons.
3. The two superpowers, which bear a special responsibility, should take the lead in putting an end to the testing, manufacturing and deploying of all types of nuclear weapons and in drastically reducing and eliminating all types of nuclear weapons each of them has deployed in any region at home or abroad. Then a broadly represented international conference on nuclear disarmament can be convened with the participation of all nuclear states to discuss what steps and measures should be taken for a thorough destruction of nuclear armaments.
4. Pending the realization of the goal of total elimination of nuclear weapons, we hope to see all nuclear states undertake not to be the first to use nuclear weapons against non-nuclear-weapons states or nuclear-free zones.
5. There is also an urgent need to drastically reduce conventional armaments. The conventional armaments of all states should be used only for defence and not for aggression against other states or threat to their security.
6. An international convention on the complete prohibition and thorough destruction of chemical weapons should be concluded at an early date.



7. An international agreement on the complete prohibition of space weapons should be concluded at an early date.

8. All states have the right to take part in the discussions and solution of disarmament issues on an equal footing. The legitimate interests and just demands of the small and medium-sized countries should be respected.

Disarmament is no doubt important for the maintenance of world peace, but it is apparently not enough to pin our hopes only on disarmament for the maintenance of world peace. While we meet here, the world we live in is still far from tranquil. A series of prolonged regional conflicts continue to undermine the security of the countries concerned and threaten world peace. Year after year we have been discussing these issues here at the United Nations. The recently signed Geneva Accords on the Afghan question represent a victory for international justice. The United Nations organization has made praiseworthy contributions towards this end. Naturally, people may ask: Why doesn't Vietnam make up its mind to withdraw all its troops from Kampuchea since the Soviet Union is already resolved to pull out its troops from Afghanistan? The Vietnamese people, having survived the scourge of war in Vietnam, urgently need a period of rehabilitation and economic development after the war. The Vietnamese authorities, however, motivated by their wild ambition for expansion, have dragged their country into the quagmire of a war of aggression against Kampuchea, indulging themselves in military expansion. This has brought enormous sufferings to both the Kampuchean and Vietnamese peoples. Any attempt on the part of the Vietnamese authorities to keep their troops in Kampuchea under whatever pretext would be doomed to failure. Now it is high time that they made up their mind to withdraw all their forces as soon as possible.

The Chinese Government regards peace and development as the two major issues of the present-day world. It is for the purpose of both peace and development that we strive for disarmament. The United Nations has held a special conference and conducted in-depth discussions on the relationship between disarmament and development. It is widely agreed that without a proper solution to the development issue, international peace and stability would be adversely affected. At present, the gap between North and South is still widening. As a result of falling prices of oil, raw materials and primary products and the irrational international economic order, the Third World is sustaining great losses. The accumulative total of US\$1,200 billion foreign debt, a crushing burden, has weighed heavily on some developing countries. The trade protectionism of some developed countries has added to the economic difficulties of debtor nations. Now the developing countries are already adopting measures to readjust their economies, including measures of cutting down expenses, painful as they are. It is clear, however, that such huge international economic problems cannot be solved only on the strength of the

measures taken by the developing countries alone. We therefore call on the developed countries to pursue farsighted policies and provide necessary and reasonable conditions for the developing countries in terms of finance, trade and so on in order to facilitate the latter's development and enhance their debt service ability. As the world has developed to what it is today, economic interdependence of countries has reached a high degree, so it is very difficult for the developed countries to maintain their prosperity on the basis of prolonged poverty of developing countries. This problem is so serious that all the countries in the world have reason to feel worried. Some people have compared the debt crisis to an atom bomb dangling over the heads of mankind. I do not think it is alarmist talk.

Of the five permanent members of the UN Security Council, China is the only developing country. China is whole-heartedly dedicated to its modernization programme. Only in an international environment of enduring peace will it be possible for China to accomplish this historic task. China is committed to the maintenance of world peace and interested in the attainment of disarmament. It is opposed to the arms race and never takes part in it. The small number of nuclear weapons in China's possession is entirely for self-defense. From the very day when we tested the first atom bomb, we have declared once and again that at no time and under no circumstances will China be the first to use nuclear weapons. China has long stopped nuclear testing in the atmosphere. It has undertaken not to use nuclear weapons against non-nuclear weapon states and nuclear-free zones as it understands the desire of non-nuclear weapon states concerned for the establishment of nuclear-free zones and respects such zones already established. Following its signature and ratification of Additional Protocol II of the Treaty for the Prohibition of Nuclear Weapons in Latin America, China signed last year Protocol II and Protocol III attached to the South Pacific Nuclear-Free Zone Treaty.

In its dedication to the promotion of world peace and disarmament, China has not only actively put forward proposals, but put them into practice. As soon as the international situation permitted, China voluntarily decided to reduce its troops by 1 million, and the troop reduction was already completed last year. Many of our military airports and seaports have been converted to civilian or military-civilian use. A considerable number of our military industrial enterprises have been shifted to production of civilian goods. The proportion of China's national defense expenditure in the state budget has dropped from 17.5 percent in 1979 to 8 percent this year. Our current military expenditure totals approximately 5.5 million in US dollars, that is, about US\$5 per person. I think that this simple figure is a most telling argument.

Although what has been achieved in the field of disarmament over the past decade since the first special session devoted to disarmament is not satisfactory, one must say that there has been some progress if compared



with the first three decades of the post-war period. These achievements have been gained through the unremitting efforts of the countries of the world and all peace-loving people. They have enhanced our confidence and strength. Experience is showing us the way to new achievements. We sincerely hope that following the fundamental principles contained in the final document adopted at the first special session devoted to disarmament and taking into account the developments in recent years, all the delegations will make concerted efforts to set realistic objectives and adopt practical measures for future disarmament endeavours, thus ensuring full success to this special session. It is our belief that peace can be maintained and the goal of disarmament achieved. Science and technology, which are created by mankind, should be used to benefit mankind, not destroy it. Mankind will eventually be able to take its destiny into its own hands.

**Toronto Summit Final Communiqué Summarized**  
*OW 2306051488 Beijing XINHUA in English*  
0116 GMT 22 Jun 88

[Text] Toronto, June 21 (XINHUA)—The Toronto summit of seven leading industrial nations ended here this afternoon with a communiqué relieving debt burdens to the poorest Third World countries.

According to the accord, creditor governments are allowed to choose amount concessional interest rates, partial write-offs of debt or longer repayments periods, or a combination of the three options as ways to help low income debtor nations.

This represents a progress for the Paris club, creditor nations in that member nations can decide the methods of debt relief "consistent with their legal or budgetary constraints," whereas in the past unified policy stance was required.

The relief applies only to countries with per capita income of less than 400 dollars for debt owed to foreign governments. For those middle-income debtor countries, predominantly countries in Latin America, the classical Baker strategy was advocated again, with new emphasis on the "menu approach" in which each debtor country is dealt with specifically along with new financing techniques such as debt-equity swaps and debt-securitization.

The G-7 [Group of 7] rescue package is regarded here as a welcome move, but summit watchers pointed out that it only affects less than 100 billion dollars of Third World debt when the total debt amount owed by these countries has already surpassed 1.2 trillion dollars.

Agricultural trade issue has caused hard-feeling fights between the U.S. and European Community during the summit. Aides to the summit leaders worked into early morning today to put final wording, which is vague and

a disappointment to the U.S. because there is no mentioning of complete phasing out of agricultural subsidies as called for by the Reagan administration.

Instead, the communiqué said the leaders of the leading industrial nations "support efforts to adopt a framework approach," including both long and short term measures. This was what the European Community (EC) has pushed for.

An EC official, delighted by the outcome, said this afternoon that "what we don't like is having a long-term proposal to preclude the step-by-step approaches we are now taking."

The final communiqué said the seven leaders want their negotiators to develop a framework in Geneva, with an object to make their agricultural sector "more responsive to market signals" by "reducing," not eliminating, of various agricultural trade subsidies and other measures that affect agricultural trade.

According to the communiqué, the summit leaders have reaffirmed their policy coordination, pointing to "sharp contrast" between 1970s and 1980s.

The former was "a decade of high and rising inflation, declining productivity growth, policies dominated by short-term considerations, and frequently inadequate international policy cooperation."

In the latter period, inflation has been brought under control, laying the basis for sustained economic growth and improved productivity, but it is also a period of the emergence of large external imbalances in the major industrial economies, greater exchange rate volatility, and debt-servicing difficulties in a number of developing countries.

The contrast was made to highlight the need for policy coordination. While congratulating among themselves about rising employment; restrained inflation and improvement in external imbalances among them, the leaders said the progress are "a cause for optimism, but not for complacency," and "to sustain noninflationary growth will require a commitment to enhance cooperation."

To further coordination, which have so far concentrated on macroeconomic policies, the leaders made a new emphasis on the micro side by pointing to the need in coordinated structural reforms such as in taxation, labor market and other regulatory reforms.

"We shall collectively review our progress on structural reforms and shall strive to integrate structural policies into our economic coordination process," the leaders declared.

The leader reaffirmed their willingness to use economic indicators to monitor each country's performance, including the addition of commodity price indicator as called for U.S. Treasury Secretary James Baker, but their statement does not go beyond what was agreed to at last April's G-7 finance ministers' meeting.

The leaders endorsed the G-7 finance ministers' assessment on the currency situation, saying "either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilizing to the adjustment process could be counterproductive" by damaging the world economic growth.

The economic statement made a special reference to the so-called newly industrialized economies (NIEs), saying their "increased economic importance" should come with "greater international responsibilities."

They called for "constructive dialogue and cooperative efforts" between the industrial countries and the NIEs with focus on macroeconomic policies, currency movement, structural reform and trade.

Among other issues, the declaration supports a successful Uruguay round of multilateral trade negotiations, to which it called for continued resistance to protectionism and "the temptation to adopt unilateral measures outside the framework of GATT rules."

As a result of last night's meeting of the seven industrialized nations, the declaration also devoted three out of the total 34 paragraphs on environmental issues.

The declaration called for further action to protect the world environment, with special attention to preventing global climate change, air, sea, hazardous substances, deforestation, and on the protection of endangered species.

The leaders reaffirmed the usefulness of the summits, saying that they believe the "opportunity afforded" by the summits "are becoming even more valuable in today's world of increasing interdependence and [word indistinct] technological change."

The leaders agreed to hold the next summit on July 14-16, 1987 in France.

The 14th Western economic summit opened here on June 19 and issued a political declaration yesterday focusing on East-West relations.

#### **United States & Canada**

**Embassy Spokesman Refutes Dalai Lama Remarks**  
OW2306074788 Beijing XINHUA in English  
0651 GMT 23 Jun 88

[Text] Washington, June 22 (XINHUA)—The Chinese Embassy here refuted today the Dalai Lama's scheme to turn Tibet into an internationalized issue

In a statement on the Dalai Lama's speech delivered to journalists in Strasbourg, France, on June 15, press counselor and spokesman Zheng Wanzhen of the Chinese Embassy here said the Dalai Lama's speech is "intended to turn Tibet into an internationalized issue."

He said the speech "distorts history, twists reality, negates Tibet as an inalienable part of China and denies the Chinese Government's sacred sovereignty over Tibet."

Zheng said that "independence, semi-independence or disguised independence of any form for Tibet is impermissible."

He said attempts to turn Tibet into an internationalized issue and to split China by relying on the support of foreign forces "will never succeed."

China "will never tolerate any external attempts to encroach upon her sovereignty," Zheng said.

The Dalai Lama had previously intended to deliver a speech at the European Parliament in Strasbourg, France, on June 15. But the European Parliament did not permit him to do so. Therefore, he distributed his prepared speech to journalists at a press conference on the same day.

During the past three decades or more, the spokesman said, the Chinese Government has implemented in Tibet the system of ethnic regional autonomy, thus enabling the Tibetan people to enjoy full democracy and freedom within the great family of the Chinese nation.

He said that after the quelling of the 1959 rebellion staged by the reactionary upper social strata in Tibet and the reforms introduced thereafter, "the feudalist serfdom system of Tibet, the darkest period in its history, was brought to an end once and for all."

Since 1978 in the wake of the "Cultural Revolution," China has exerted great efforts to rectify past "leftist" errors and implemented the policy of reform and opening and a series of special preferential policies in Tibet, he noted.

As a result, he added, "encouraging and many-sided changes have emerged in Tibet," and this is a "reality that no one can deny."

Since 1979, China has time and again indicated to the Dalai Lama that China welcomes him or his representatives to Beijing for discussion with the central government.

The central government also indicated that any other matter relating to Tibet can be discussed, except Tibetan independence.



"The channels of communication between the Dalai Lama and the central government have been open all along," Zheng said.

The "Office of Tibet" in New York also distributed the speech to many news organizations in the United States.

**Ministry Official Speaks at PRC-U.S. Forum**  
*OW2206202388 Beijing XINHUA in English*  
*1116 GMT 22 Jun 88*

[Text] Beijing, June 22 (XINHUA)—China will promote the export side of its coastal-based chemical industry, according to an official from the Ministry of Chemical Industry.

"Our goal is to raise the proportion of foreign exchange earnings from chemical products produced in these areas to two thirds of the country's total, as against the present figure of one half in three to five years," Zhou Shijun, deputy director of the ministry's planning department, told a Sino-U.S. symposium on industry, trade and economic development being held in Beijing.

According to statistics, China's ten coastal provinces and municipalities boast about half of China's chemical enterprises, and 60 percent of the total output. Most of the 163 Sino-foreign equity and contractual chemical joint ventures as well as enterprises with sole foreign investment are located in coastal areas.

Zhou said that raw materials for such products as tires and shoes will be imported in bulk for processing in China and then sold in the international market.

Paints, pesticides, additives, sulphidized alkali and various kinds of salts will be exported in large amounts, he said.

For products in short supply, stress will be laid on expanding the production of import substitutes.

Efforts will also be taken to expand the production of chemicals needed by other departments for the production of export goods, he said.

China will continue to lay emphasis on attracting overseas capital, advanced technology and management training in developing the chemical industry, Zhou said. Foreign investors are encouraged to open more joint ventures and solely-owned enterprises in coastal areas.

**Sino-U.S. Bilateral Trade Increases**  
*HK2206132988 Beijing CEI Database in English*  
*22 Jun 88*

[Text] Beijing (CEI)—The Sino-U.S. bilateral trade hit 3.34 billion U.S. dollars in the first five months this year, of which China's import logged 2.08 billion U.S. dollars and export 1.26 billion U.S. dollars.

This represented 42.68 and 5.65 percent increase of the import and export respectively over the same period last year, according to China's General Administration of Customs here recently.

Authoritative sources here revealed that bilateral trade between the two countries has jumped from near zero in 1972 to 7.8 billion U.S. dollars last year, making the United States China's third largest trade partner in the world.

According to U.S. President Ronald Reagan in his congratulatory letter to the current Sino-U.S. joint session on industry, trade and economic development, the bilateral trade last year exceeded 10.4 billion U.S. dollars and the American investors have committed over 3 billion U.S. dollars to projects in China.

The imports of China from U.S. include machinery, electronics, instruments and technological products, the percentage of which rose to 42.2 percent of the total import last year from 24.6 percent in 1984 while the imports of agricultural products, chemical raw material and timber decreased.

The technological products that China imported from the United States mainly include civil airliners, computers, petrochemical equipment and power generating equipment. Of these, the import of civil airliners took the lead with contracts of 106 airliners involving 2.7 billion U.S. dollars.

Variety of China's exports to the United States has become more diversified in recent years, from traditional products, such as textiles, arts and crafts and foodstuffs, to machinery equipment, TV sets, tape recorders and cameras.

**Shanghai Aeronautics Company Gets NASA License**  
*HK2206140588 Beijing CEI Database in English*  
*22 Jun 88*

[Text] Shanghai (CEI)—Shanghai Aeronautics Industrial Company recently obtained the U.S. National Aeronautics and Space Administration (NASA) license for producing parts for the MD-82 airplane.

The MD-82 airplane, which is jointly produced by China and the United States, will be installed from the seventh plane with Chinese parts and cargo doors, and the Shanghai-made horizontal stabilizer will be mounted from the twenty-third plane.

**U.S.-China Trade Council Changes Name**  
*OW2206235688 Beijing XINHUA in English*  
*0744 GMT 22 Jun 88*

[Text] Washington, June 21 (XINHUA)—The National Council for U.S.-China Trade has changed its name to the U.S.-China Business Council, a move reflecting dramatic changes in commercial ties between the two nations.

The council said today that its former name no longer accurately describes its role as a private business organization that represents and assists member companies in the conduct of all types of business in China.

When the council was founded in 1973, six years before the normalization of political relations between the United States and China, it played a quasi-governmental role. "Fifteen years later, U.S.-China commercial relations have changed dramatically, and so has the role of the council," it declared.

U.S.-China trade has grown from just 800 million dollars in 1973 to more than 10 billion dollars in 1987, and the number of Chinese enterprises engaged in foreign trade has soared from 12 Beijing-based state import-export corporations ten years ago to more than 1000 companies and factories throughout the nation.

Moreover, commercial trade is now only one of many activities covered by the council. U.S. And Chinese companies now engage in technology transfer, licensing, countertrade, investment, and other flexible forms of doing business, the council added.

More than 400 U.S. firms have made investments in China since China opened to foreign investment just eight years ago.

**Canada Orders 8 Soviet Diplomats To Leave**  
OW2206111688 Beijing XINHUA in English  
0126 GMT 22 Jun 88

[Text] Ottawa, June 21 (XINHUA)—The Canadian Government ordered eight Soviet diplomats accused of engaging in espionage activities to leave Canada last week, and another nine, who have completed tours of duty, have been told they are not welcome to return.

According to Canadian official sources, the eight ordered out include two Soviets from the embassy in Ottawa and six based in Montreal.

The other nine have been declared persona non grata, meaning they are not allowed to return to Canada and are not likely to be allowed to take up residence in any other Western country.

The sources said the espionage targets were primarily scientific and technological in nature, but some were believed to be military. The eight Soviet diplomats ordered out have already departed for the Soviet Union. The nine declared persona non grata had all returned home within the last six months.

"I will confirm that, indeed, the Government of Canada took some action last week in regard to improper and unacceptable behavior on behalf of the Soviet Union," Prime Minister Brian Mulroney told reporters at the close of the seven-nation economic summit in Toronto this afternoon.

He refused to furnish details, however, other than to say that the government acted on the basis of information provided by Canadian security officers.

The prime minister said External Affairs Minister Joe Clark will offer further comment tomorrow in the Commons in Ottawa.

### Soviet Union

**Soviet Foreign Minister Meets Tian Zengpei**  
HK2306060188 Beijing RENMIN RIBAO in Chinese  
22 June 88 p 6

[XINHUA Report: "Soviet Foreign Minister Shevardnadze Meets Chinese Special Envoy Tian Zengpei"]

[Text] Moscow, 20 Jun (XINHUA)—Soviet Foreign Minister Shevardnadze met with Chinese special envoy and Vice Foreign Minister Tian Zengpei here today. They had a talk on the problems concerning the normalization of the relations between the two countries.

Tian Zengpei said that the Soviet Union had decided to withdraw its troops from Afghanistan, and he hopes that the Soviet Union will also help Vietnam to withdraw all its troops from Kampuchea as soon as possible.

Shevardnadze restated the Soviet position on the Kampuchean issue.

**XINHUA Interviews Kazakh Officials**  
OW2206130188 Beijing XINHUA in English  
0753 GMT 22 Jun 88

[Text] Moscow, June 21 (XINHUA)—A recent Soviet poll indicates that an increasing number of people believe that management officials who are unwilling to give up their social positions and privileges are standing in the way of the country's reform program.

In a poll conducted by the Soviet Academy of Social Sciences, 22 percent of workers, technicians and officials from 120 large Soviet enterprises said that management is one of the obstacles to the reform underway in the Soviet Union.

That figure is a significant increase over the 6.3 Percent of 11,000 respondents who expressed the same opinion in a poll conducted by the academy last year.

Some experts said that half of the 18 million Soviet management officials should be reduced and transferred to the other economic areas.

Recently, the Soviet Kazakh Republic passed a resolution cutting by 50 percent the number of officials at the ministerial level and by 30 percent the number at the regional and district level. Communist Party leader of the Kazakh Republic, G.V. Kolbin, told the XINHUA NEWS AGENCY in an interview.



Another official said in the interview that the redundant staff would receive some professional training before being transferred to business or service trades. But many of them were unwilling to leave their original posts, he said.

**Moscow Protests Canadian Expulsion of Diplomats**  
*OW2306014888 Beijing XINHUA in English*  
1408 GMT 22 Jun 88

[Text] Moscow, June 22 (XINHUA)—The Soviet Union today made a protest against a recent expulsion of several Soviet diplomats by Canada and warned that the expulsion "will not remain unanswered," according to a Soviet spokesman.

The Canadian Government ordered eight Soviet diplomats accused of engaging in espionage activities to leave Canada last week, and another nine, who have completed tours of duty, have been told they are not welcome to return.

According to Canadian official sources, the eight ordered out include two Soviets from the embassy in Ottawa and six based in Montreal.

The other nine have been declared persona non grata, meaning they are not allowed to return to Canada and are not likely to be allowed to take up residence in any other Western Country.

In Moscow, Soviet Foreign Ministry Spokesman Gennadiy Gerasimov told a news briefing today that the accusations by the Canadian authorities were "groundless."

Gerasimov said that the expulsion, which took place at a time when tendencies for positive changes in relations between the East and West became apparent, was aimed at "undermining this process."

The Canadian "provocations will not remain without a due reply," he added.

Canadian sources in Ottawa earlier noted that the alleged Soviet espionage targets were primarily scientific and technological in nature, but some were believed to be military. The eight Soviet diplomats ordered out have already departed for the Soviet Union. The nine declared persona non grata had all returned home within the past six months.

**Northeast Asia**

**Joint Heavy Ion Research With Japanese Institute**  
*OW2206203988 Beijing XINHUA in English*  
1147 GMT 22 Jun 88

[Text] Lanzhou, June 22 (XINHUA)—A Chinese institute is ready to embark on joint research on heavy ions with its Japanese counterpart, XINHUA learned here today.

The Institute of Modern Physics under the Chinese Academy of Sciences signed the cooperation contract on June 20 in Lanzhou, with Japan's Physics and Chemistry Institute.

The Japanese institute is equipped with sophisticated equipment and manpower, while China's Institute of Modern Physics has a strong repertoire of research workers, according to a spokesman for the Chinese institute.

Cooperation in the field has been progressing well since 1978, said the spokesman.

**Li Ruihuan Returns From Visit to DPRK**  
*SK2306044888 Tianjin City Service in Mandarin*  
2200 GMT 22 Jun 88

[Text] After satisfactorily concluding their visit to the DPRK, Li Ruihuan, member of the Political Bureau of the CPC Central Committee and secretary of the Tianjin Municipal CPC Committee, and his party returned to Tianjin on 22 June. Greeting Li Ruihuan and his party at the station were Tan Shaowen, deputy secretary of the municipal party committee; Nie Bichu, deputy secretary of the municipal party committee and vice mayor of the municipality; Li Zhendong, vice mayor of the municipality; [name indistinct], secretary general of the municipal party committee; Fang Fengyou, secretary general of the municipal government; and responsible persons from the departments concerned. (Choe Pon-kak), a counsellor with the rank of minister from the DPRK Embassy in China, made a special trip to Tianjin from Beijing to meet with Li Ruihuan.

Li Ruihuan asked the DPRK comrades to convey his [words indistinct] to the Korean people and President Kim Il-song, and then expressed his thanks to the Korean comrades for their careful preparations for his visit to the DPRK.

**Pyongyang Rally Celebrates 'Five-Point Program'**  
*OW2306083888 Beijing XINHUA in English*  
0808 GMT 23 Jun 88

[Text] Pyongyang, June 23 (XINHUA)—A mass rally yesterday marked the 15th anniversary of the "five-point program" for the independent and peaceful reunification of the Korean peninsula.

The reunification program, put forward by President Kim Il-song in a speech at a mass meeting on June 23, 1973, demands the elimination of military confrontation, the easing of tension, and cooperation and interchanges between the North and South of Korea.

The program also proposes that a North-South confederation under the name of a single country be instituted and calls for participation in the work of national reunification by people of all walks of life in the North and South of Korea.

The KOREAN CENTRAL NEWS AGENCY reported that at the rally, Choe Tae-pok, secretary of the Secretariat of the Korean Workers' Party Central Committee, reiterated the policy of the North side of Korea on the peaceful reunification of the nation.

He said holding a North-South joint conference to be attended by representatives of authorities, parties, groupings and people of all social standings in the North and South of Korea is the best hope for national reconciliation and reunification.

If the South Korean authorities think it necessary to hold North-South authorities' talks, he said, the North side is willing to consider it, but the talks should be held only as a preparatory meeting for the North-South joint conference.

### **Southeast Asia & Pacific**

**CPC's Yan Mingfu Meets Thai Visitors**  
*OW2206184988 Beijing XINHUA in English*  
*1017 GMT 22 Jun 88*

[Text] Beijing, June 22 (XINHUA)—Yan Mingfu, member of the Secretariat and head of the United Front Work Department of the Chinese Communist Party Central Committee, met here today Sihian Tangpakhon, chairman of the Thai-Chinese Pressman Welfare Fund, and his wife.

They discussed issues concerning Taiwan [as received] visitors to the mainland, education, tourism and Overseas Chinese.

Tangpakhon and his wife are here as guests of the XINHUA News Agency and the China International Culture Exchange center. They are scheduled to attend a dinner given by Cheng Siyuan, vice chairman of the National Committee of the Chinese People's Political Consultative Conference, later today.

**Burmese Youth Delegation Leaves for Beijing**  
*OW2206201488 Beijing XINHUA in English*  
*1105 GMT 22 Jun 88*

[Text] Rangoon, June 22 (XINHUA)—A five-member Burmese Lanzin (programme) youth delegation left here this afternoon for Beijing to pay a ten-day goodwill visit to China.

The delegation is led by U Sein Win, chairman of the central organizing committee of the Burma Lanzin Youth.

It is learned that the youth leaders of the two sides will exchange views on youth work and matter of common interest.

A five-member Chinese Communist youth delegation, led by Li Keqiang, member of the Secretariat of the Central Committee of the Chinese Communist Youth League, paid an eight-day visit to Burma in September, 1986.

**Australian Delegation Visits Inner Mongolia**  
*SK2306010088 Hohhot NEIMENGGU RIBAO*  
*in Chinese 6 Jun 88 p 1*

[Text] At the invitation of the China Association for International Understanding, an eight-member delegation of the National Country Party of Australia, headed by Ian Sinclair, leader of the party, arrived in Hohhot on 3 June for a 2-day visit.

On 3 June, Bai Yun, director of the Inner Mongolia Autonomous Regional Foreign Affairs Office, met with all members of the delegation. After reviewing the contacts and friendship between China and Australia and between the peoples of the two countries, Bai Yun briefed the guests on the achievements gained by our region in carrying out economic structural reform and opening to the outside world, and on the situation of grassland construction. The delegation will visit the No 1 and No 2 woolen textile factories of Inner Mongolia, the Qingsong Garment Manufacturing Corporation, Ltd., and a museum. At the same time, the delegation will travel to Siziwang Banner to tour a tourist zone, visit pastoral households, and learn about the situation on grassland construction.

### **Near East & South Asia**

**Exiled Tibet Leader Warns of Violence**  
*AU2306115888 Paris AFP in English*  
*1144 GMT 23 Jun 88*

[Excerpt] Paris, June 23 (AFP)—A member of the Dalai Lama's exiled Tibetan government warned Thursday that more violence could erupt if China does not accept a new proposal for Tibet's autonomy.

Lodi Gyari, speaking during a brief visit here, said the Dalai Lama's proposal last week for an autonomous Tibet, leaving only defense and foreign affairs to Beijing, had provoked negative reactions among some 150,000 Tibetan exiles in India.

Observers said it was the first time the Dalai Lama, the spiritual head of the Tibetan people, had asked for anything short of total independence from China since he fled into exile in India in 1959.

"If the Chinese do not respond favorably, if the compromise is rejected, Tibetans will feel humiliated, insulted and there may be more violent demonstrations in Tibet," Mr Gyari warned.



Twenty-eight persons have been killed in outbursts in Lhasa, the Tibetan capital, according to eye-witness reports. Official Chinese figures put the number at 11 dead and hundreds wounded.

Mr Gyari also said talks between the spiritual leader and Chinese officials should be held "outside of China", though this was not a precondition.

"We suggest a new beginning," Gyari said. "That is why we want the meeting to take place on neutral ground."

The Dalai Lama, now in Geneva, has said he is ready to send a seven-member Tibetan delegation to meet with Chinese officials to discuss autonomy for Tibet. Mr Gyari said its make-up, including two or three members of the government-in-exile, had already been decided. [passage omitted]

**Pakistani Foreign Minister To Make Official Visit**  
*OW2306043588 Beijing XINHUA in English*  
1539 GMT 22 Jun 88

[Text] Islamabad, June 22 (XINHUA)—Pakistan Foreign Minister Sahabzada Yaqub Khan is to pay an official visit to China from June 26, official sources said here today.

During his stay in China, Yaqub Khan will exchange views with Chinese Foreign Minister Qian Qichen on international issues and regional situation besides reviewing bilateral relations.

The Pakistan foreign minister is also expected to meet other Chinese leaders.

Yaqub Khan resigned from the post of foreign minister last year on personal grounds. After president Mohammad Ziaul Haq [words indistinct] the Junejo government on May 29, he was selected to be foreign minister in the caretaker government.

The sources said that Pakistan and China have a tradition of frequent high-level consultations. The selection of China for the foreign minister's first visit illustrates the deep friendship between the two countries and the great importance Pakistan attaches to further strengthening the bonds of mutual trust and expansion of cooperation, the sources added.

**Sports Delegation Arrives in Egypt for 6-Day Stay**  
*OW2206140288 Beijing XINHUA in English*  
1053 GMT 21 Jun 88

[Text] Cairo, June 21 (XINHUA)—A Chinese sports delegation arrived here early Tuesday morning for a six-day visit to Egypt.

The three-member delegation, headed by Zhang Caizhen, vice minister of the Chinese State Physical Culture and Sports Commission, would hold talks with Abd al-Ahad Gamaledin, chairman of the Egyptian Higher Council for Youth and Sports, and other Egyptian officials.

A protocol on sports cooperation and exchanges between the two countries in 1989 is expected to be signed during the visit, according to the Chinese vice minister.

### **Sub-Saharan Africa**

#### **More on Visit of Ethiopian President Mengistu**

**Talks With Zhao Ziyang**  
*EA2206193588 Addis Ababa in English to*  
*Neighboring Countries 1530 GMT 22 Jun 88*

[Text] Comrade Zhao Ziyang, secretary general of the Central Committee of the Communist Party of the PRC, has said that China is very happy to see Ethiopia achieve many goals in various fields and to know also that the country has improved its relations with neighboring countries. Comrade Zhao Ziyang made the statement during the talks held with Comrade President Mengistu Haile Mariam, general secretary of the Central Committee of the WPE [Workers Party of Ethiopia], president of the PDRE [People's Democratic Republic of Ethiopia] and commander in chief of the Revolutionary Armed Forces, who is on an official visit to the PRC.

The secretary general of the Central Committee of the Communist Party of China said that the current visit of President Mengistu to China would push bilateral relations to a new height. He expressed pleasure in meeting the president and stated that Comrade President Mengistu's visit to the PRC will pave the way for the further strengthening of relations between the two countries, parties and governments.

President Mengistu, on his part, congratulated the PRC for the great achievements it had scored and stated that Ethiopia is grateful for the generous aid China had extended to it during difficult times. Comrade Mengistu went on to note that Ethiopia is eager to learn from the experience of the Republic of China accumulated over the past years.

President Mengistu also had a meeting with Comrade Deng Xiaoping, member of the Political Bureau of the Central Committee of the Chinese Communist Party and chairman of the Military Commission of the PRC. Briefing had been given to President Mengistu on China's economic restructuring. Comrade Mengistu also today visited the palace, museum and the Great Wall of China.

**Tours Beijing Vehicle Plant**

*OW2206134888 Beijing XINHUA in English*  
*0940 GMT 21 Jun 88*

[Text] Beijing, June 21 (XINHUA)—The visiting Ethiopian President Mengistu Haile Mariam visited the Northern Vehicle Plant in the southeastern suburbs of Beijing this afternoon.

Xu Xiaoqing, director of the plant, briefed the president on the development of his factory.

Then Mengistu and his party, accompanied by Zeng Xianlin, Chinese minister of light industry, took a look at several major workshops of the plant.

With 6,000 employees, the plant mainly produces armored cars and mini-buses.

**Embassy 'Condemns' RSA's Attacks on Botswana**

*OW2306034888 Beijing XINHUA in English*  
*1801 GMT 22 Jun 88*

[Text] Gaborone, June 22 (XINHUA)—The Chinese Government today strongly condemns South Africa for its latest aggression against the Republic of Botswana.

The Embassy of the People's Republic of China in Botswana, in a statement today, strongly condemns the South African racist regime for its aggressive acts of frequent attacks on the neighbouring countries and firmly supports the Botswana Government's solemn stand of safeguarding national sovereignty, independence and territorial integrity.

On June 20, the Pretoria regime waged another aggression against Botswana by sending its armed commandoes across the border. The squad brutally shot and wounded three unarmed Botswana policemen, thus creating another shocking bloody incident.

**Lesotho Aids Provincial Flood Victims**

*OW2206204488 Beijing XINHUA in English*  
*1044 GMT 22 Jun 88*

[Text] Gaborone, June 22 (XINHUA)—Lesotho's Acting Chairman of the Military Council Colonel Sekhobe Letsie expressed his sympathy for the flood victims in some Chinese provinces, according to a report from Maseru, the capital of Lesotho.

Colonel Sekhobe Letsie made the statement yesterday when he received Chinese Ambassador to Lesotho Tien Changsong in Maseru. He said his majesty's government has already sent a message of sincerest sympathy, heartfelt condolences and unflagging solidarity with the Chinese Government and people and decided to donate 5,000 maloti (about 2,200 U.S. dollars) to the victims.

On behalf of the Chinese Government and people, Ambassador Tien Changsong expressed sincere thanks to Colonel Sekhobe Letsie, and through him, to the Lesotho Government and people for their concern and donation.

He expressed the hope that the friendly relations between the two countries will be further developed.

**West Europe**

**Tian Jiyun Welcomes West European Officials**

**Meets Swedish Industry Minister**

*OW2206171588 Beijing XINHUA in English*  
*1020 GMT 21 Jun 88*

[Text] Beijing, June 21 (XINHUA)—Chinese Vice-Premier Tian Jiyun met here today a Swedish trade and industry delegation led by Minister of Industry Thage G. Peterson.

Tian expressed his welcome to the big group of entrepreneurs. He said that the two countries have enjoyed a smooth development of relations in economic, trade and other fields.

Tian noted that Sweden has rich natural resources and advanced technology in many sectors. He expressed the hope that the two countries would expand cooperation in technology and production.

Peterson and his party are attending the eighth session of the joint Chinese-Swedish Committee held here from June 20 to 24.

**Hosts West Berlin's Mayor**

*OW2206141488 Beijing XINHUA in English*  
*1030 GMT 21 Jun 88*

[Text] Beijing, June 21 (XINHUA)—Chinese Vice-Premier Tian Jiyun met Eberhard Diepgen, mayor of West Berlin, and his party here this afternoon.

The visitors have come with the hope of expanding relations between China and West Berlin. They will discuss with the Chinese side ways for further cooperation between West Berlin and China, and Beijing and Shanghai in particular.

Diepgen and his party arrived here June 18 as guests of the Chinese People's Institute of Foreign Affairs.



**Culture Minister Honored at British Reception**

OW2306045988 Beijing XINHUA in English  
2348 GMT 22 Jun 88

[Text] London, June 22 (XINHUA)—Chinese Minister of Culture Wang Meng said here today that the Chinese culture should maintain a successful relationship with European civilization and the two contrasting cultures could draw references from each other.

Wang Meng, who winds up a 3-day visit to Britain, told a reception in his honor that cultural exchanges between China and Britain will not only be of great significance to Sino-British relations but also to the future and history of the mankind.

Present at the reception were Edward Heath, former British prime minister, Sir David Orr, chairman of the British Council, governing body of Britain's cultural exchanges with foreign countries, and other personages from the cultural circles.

Wang Meng started an official visit to Britain on Monday at the invitation of Richard Luce, Britain's minister for the arts.

Wang has called his visit a "friendly mission" as he saw no major problems in cultural cooperation between China and Britain and that things have been going on "fairly well" under an agreement on cultural cooperation signed by the two sides in 1979.

The agreement, which is negotiated every 2 years, covers a wide range of cultural areas, including literature, publication, television, film, performing arts, and museums.

During his visit, Wang Meng met with Minister for the Arts Richard Luce, held talks with British literary figures and visited various cultural institutions.

**Sino-British Business Ventures Announced**

**2 Deals Launched**

OW2306035588 Beijing XINHUA in English  
1736 GMT 22 Jun 88

[All figures as received]

[Text] London, June 22 (XINHUA)—China has launched its first direct investment in Britain with the announcement of two deals worth an estimated 47 million pounds (about 82 million dollars).

China Merchants' Group, a shipping and investment company, is paying about 29 million pounds (49 million dollars) to enter the UK insurance and offshore oil service businesses, "FINANCIAL TIMES" reported today.

In the second deal, the municipal government of Tianjin, a major industrial city in north China, has signed a joint venture with Mountleigh, the British property group, for the purchase of 12 acres of land in London's docklands for a commercial, cultural and trade center.

The joint venture is thought to have paid about 36 million pounds for the site where it plans a property development with a total cost of about 125 million pounds (201 million dollars).

Construction is expected to start next year on the project which will include a pavilion for a permanent exhibition of Chinese culture and history, specialty shopping and a Chinese restaurant center, an emporium of far eastern goods, 200,000 square feet of offices, a hotel and residential accommodation.

Mountleigh Director John Douggan said that in addition to Tianjin, other Chinese provinces are also likely to show interest in establishing a base on the docklands site.

"There is a huge interest in having representation in the West. We plan to have a couple of hundred thousand square feet of office buildings and there should be demand from the Chinese," he said.

**Trade Center Planned**

HK2206140788 Beijing CEI Database in English  
22 Jun 88

[Text] Tianjin (CEI)—A contract was signed here last week between Tianjin and Britain to jointly build a Chinese economic and trade center in London along the bank of the Thames River.

The center will cover an area of 5.65 hectares with a total floor space of 120,000 to 140,000 square meters.

According to the contract signed by Tianjin Foreign Economic and Trade Committee and the London Docklands Development Corporation Mountleigh Group PLC, the project will include an exhibition center, a large department store, a grocery area, a commercial area, office buildings, hotels, a residential area and Chinese style gardens.

The center will provide opportunities of cooperation between Chinese and European enterprises in the field of economy, trade, technology, finance, personnel training and information exchanges.

Construction will begin next year and be completed in three and a half years.

**UK Group Receives Hostage 'Promise' From Iran**  
*OW2306061788 Beijing XINHUA in English*  
*0009 GMT 23 Jun 88*

[Text] London, June 22 (XINHUA)—Members of British parliamentary delegation today claimed a successful visit to Iran with a promise from Iranians to help find out three British hostages held in Lebanon.

They told a press conference here this afternoon that their "time in Iran" had helped improve the relations with Iran.

The parliamentary delegation, which began its Iranian trip on Monday, returned to London early this morning and was later welcomed at Lambeth Palace by the Archbishop of Canterbury Dr Robert Runcie, who had arranged for the visit.

Conservative Member of Parliament Cyril Townsend, a member of the delegation, said: "We believe that through our discussions with senior members of their administrations, we play some part in putting those relationships on a better basis."

Iranians have promised to help find out three British hostages in Lebanon and manage to set them free, they said.

But they added, Iran had no concrete information about the hostages and had only indirect contact with their captors.

"The point they make is that they are not just pulling puppets on strings in Lebanon," explained the delegation.

Iranian officials also asked "for British aid in locating the Iranians who were missing in Lebanon" 6 years ago in return for their offer to help with the British hostages.

It is said there are considerable evidence that the allegedly kidnapped Iranians were killed.

But John Lyttle, the Church of England envoy, believed that the evidence was not conclusive and said he would try to find out what had happened to them.

The delegation, which comprised two Conservative MPs, one each from Labour and the Social and Liberal Democrats, also called on the British Government to send a diplomat to Iran, noting that all other European Community nations were represented there.

During the 48-hour visit, the four MPs met several senior officials such as Deputy Foreign Minister Mohammed Ardeshir-Larijani, Deputy Parliamentary Speaker Mehdi Mahdavi-Karubi and Deputy Prime Minister Ali Reza Moayeri.

It was the first British parliamentary visit to Iran since the Iranian Revolution in 1979.

**Mercedes-Benz Contract, Agreements Signed**  
*HK2206140988 Beijing CEI Database in English*  
*22 Jun 88*

[Text] Beijing (CEI)—Mercedes-Benz will develop cooperation with China, stated Michael Bassermann, president of Mercedes-Benz China Ltd. at a news conference on June 20.

As the first step, he said, Benz reached a license agreement with the Ministry of Machinery and Electronics of China on June 13 in Stuttgart, Federal Germany, to manufacture M-B trucks in China.

In addition, Benz is signing a contract with the China North Industry Corporation, one of the biggest corporations of the country. According to the contract, assembling and manufacture will start in Baotou City, Inner Mongolia, in the early half of 1990. In the sixth year after the contract comes into effect, annual production of the trucks will be around 6,000 and Chinese local content will be increased step by step. Both sides will to some extent adopt the form of compensation trade with operational term of 10 years or more, said the president. The final contract will be signed by the end of this year.

Benz has signed an agreement with China's No. 1 Automobile Plant in Changchun, Jilin Province, to assemble 1,000 long B-230 cars in two years.

To date, there are more than 10,000 M-B vehicles in China. Mr. Bassermann said that Benz will not only sell its vehicles to China, it will also support Chinese automobile industry with technology and experience.

**Joint European Minesweeping Force Planned**  
*OW2206183888 Beijing XINHUA in English*  
*1136 GMT 22 Jun 88*

[Text] London, June 22 (XINHUA)—After months of negotiations, Britain, Belgium and the Netherlands are now expected formally to integrate their minesweeping forces in the Gulf under British command, the London TIMES said today.

The paper said that the Dutch Government disclosed yesterday that it had been holding new talks with Britain and Belgium to try to form an integrated minesweeping force in the Gulf.

The three navies have cooperated on all minesweeping operations, and British warships have provided protection for Belgian and Dutch vessels. But a single command structure had been ruled out in London because of unfavourable political signals that it might send to Iran, it said.



"In recent months, intensive attempts have been made with the United Kingdom and Belgium with a view toward rationalizing our, until now, practical cooperation," the Dutch Defense and Foreign Ministries said in a letter to Parliament.

A Dutch Defense Ministry official was quoted as saying that a Belgian decision to recall its supply ship had led the Netherlands to press for the rest of the force to be integrated under British command.

"There would be a British commander instead of a Belgian and the force would be integrated within a British command force. The British would have responsibility for supply and command," he said.

The plan has not yet been approved by London. The British Ministry of Defense confirmed the discussions but a spokesman said it would be premature to prejudge the outcome.

At present, Britain has three minesweepers in the Gulf, reduced from the original force of four. A Dutch minesweeper and a Belgian minesweeper, under Belgian command, have been in the Gulf under British protection since last October.

The expected combined force of the three European nations would not change the present relationship with the Americans, who continue to be responsible for minesweeping in the northern Gulf.

Although there was no formal co-ordination, the American and British ships kept in close touch, the paper said.

**EEC Designates \$22 Million To Aid Philippines**  
*OW2206121188 Beijing XINHUA in English*  
0113 GMT 22 Jun 88

[Text] Brussels, June 21 (XINHUA)—The European Economic Community announced here Tuesday that it will offer 22.2 million U.S. dollars to the Philippines for the country's rural development.

The funds will be mainly used for improving rural infrastructure, boosting agricultural production as well as protecting natural resources in the central Cordillera Region, about 360 kilometers north of Manila.

According to the EEC, the aid symbolized the attention paid by the Community to the most pressing problems at present in the Philippines.

## East Europe

**NPC's Chen Muhua Meets Hungarian Press Group**  
*OW2206181888 Beijing XINHUA in English*  
0957 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA)—Chen Muhua, vice-chairperson of the Standing Committee of the Chinese National People's Congress, met with Istvan Soltesz, editor of the "HUNGARIAN NATION", and his party here this afternoon.

Since their arrival here June 14 at the invitation of the Chinese People's Political Consultative Conference paper, Istvan Soltesz and his party have toured Guangzhou and Shenzhen.

**GDR Leader Closes Berlin 'Peace Conference'**  
*OW2306052088 Beijing XINHUA in English*  
0108 GMT 23 Jun 88

[Text] Berlin, June 22 (XINHUA)—Democratic German leader Erich Honecker described the International Conference for Nuclear-Free Zones which ended here today as "the grandest international peace conference."

Speaking at the closing ceremony, Honecker said although it ended with neither concrete results nor a joint communique, the conference reflected new thinking in the nuclear era.

He said the conference, which discussed ways to free mankind from nuclear menace, including the creation of nuclear-free zones, has proved that reason and realism are playing a more important role.

The conference, participated by more than 1,000 representatives from 113 countries, was held at the right moment as the United States and the Soviet Union have begun to eliminate their medium-range nuclear weapons, he said.

Honecker said nations, big or small, are now exerting more influence on the international situation through their own efforts. It is no longer the few powers that decide the world's destiny, he added.

**First Balkan Nations' Meeting Opens in Sofia**  
*OW2306043188 Beijing XINHUA in English*  
0530 GMT 22 Jun 88

[Text] Sofia, June 21 (XINHUA)—Senior representatives of six Balkan nations pledged to continue to seek cooperation and understanding in the region in the first session of a three-day meeting which opened here today, the official Bulgarian news agency BTA reported.



The first-ever working meeting of high-ranking delegates from the foreign ministries of Albania, Greece, Romania, Turkey, Yugoslavia and Bulgaria, followed the regional foreign ministers meeting held in Belgrade on February 24.

During the three-day meeting, delegates will focus on how to implement proposals agreed upon at the Belgrade meeting.

The delegates pressed their commitment today to dismantling nuclear and chemical weapons in the Balkan Peninsula in order to create a zone free from nuclear and chemical weapons, BTA reported.

According to BTA, the representatives urged greater coordination of their actions, not only in the field of politics, but also in the economic and cultural spheres.

The participants agreed that inter-Balkan trade at present falls short of the nations' great potential, BTA said. Their trade volume last year totalled only four billion dollars.

The delegates will also discuss preparations for a second foreign ministers' conference of the Balkan nations, BTA reported.

According to the proposals made at the Belgrade conference, the six Balkan states will hold four working sessions, including talks by their economic and foreign trade ministers in Turkey, transportation ministers in Yugoslavia, industrial experts in Romania and a session on environmental protection in Bulgaria.

**CSSR Expels Tourists for 'Political' Actions**  
*OW2206120988 Beijing XINHUA in English*  
0121 GMT 22 Jun 88

[Text] Prague, June 21 (XINHUA)—Czechoslovakia confirmed today that it has cancelled the visas of 34 foreign tourists and told them to leave the country.

Foreign Ministry spokesman Dusan Rovensky told a press conference here today that the foreigners from the United States, Britain and other Western countries were expelled because they participated in the June 17-19 meetings organized by the illegal "Charter 77" human rights movement.

"What tourists do is mainly sightseeing," he said, "they shouldn't go to another country with any political purposes or organize any political activities."

Rovensky said that some Westerners who met with the illegal "Charter 77" signers and co-organized seminars on human rights broke Czechoslovak law.

All three seminars were broken up by police shortly after they began and 19 local participants were detained.

Rovensky said diplomats from some Western countries were also involved in the incident since they arranged the meetings between "Charter 77" activists and the Western tourists.

**Latin America & Caribbean**

**Hu Qili Meets Bolivian Communist Delegation**  
*OW2306060288 Beijing XINHUA in English*  
1223 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA)—Hu Qili, Standing Committee member of the Chinese Communist Party Central Committee, met a delegation from the Bolivian Communist Party (Marxist-Leninist), led by its First Secretary Oscar Zamora here this afternoon.

This is Zamora's tenth visit to China. During the meeting, Hu and Zamora both expressed satisfaction with the growth of the two parties' relations over the past few years.

Founded in 1965, the Bolivian party has sent several delegations to China and made efforts to promote the friendly relations between the two countries.

The delegation is here to learn about China's reform and open policy.

**Agreement To Aid Peruvian Sugarcane Industry**  
*OW2306000888 Beijing XINHUA in English*  
0751 GMT 22 Jun 88

[Text] Lima, June 21 (XINHUA)—China agreed today to help reactivate the Peruvian sugar industry.

Under an agreement signed by representatives of the two nations, China will provide Peru with machinery for plowing and harvesting sugarcane, and with heavy transport vehicles and equipment to rehabilitate water wells.

Also, China will donate a medical center to every sugar cooperative and install silos, mills, driers, and machinery for agro-industrial processing.

Furthermore, China will provide Peru with rice, soy and soy derivatives, fertilizer and insecticides at reduced prices and provide a scholarship for personnel training.

In return, Peru will supply agricultural, forest, hydrobiological and mining products to China.

Before the agreement was signed, a fund for reactivation of the Peruvian sugar industry and a fund for Peruvian agricultural mechanization were established.

**Argentina Launches Cooperation Council**  
*OW2306013288 Beijing XINHUA in English*  
0816 GMT 22 Jun 88

[Text] Buenos Aires, June 21 (XINHUA)—The founding of the Argentine Council for International Cooperation with the People's Republic of China was celebrated at an inaugural ceremony today.

The council, established in accordance with a decree signed by President Raul Alfonsin, is aimed at promoting and strengthening relations, particularly economic relations, with China.

Ambassador Carlos Bruno, undersecretary for international economic integration of the Foreign Ministry, was selected the council's executive secretary. The Council is composed of high-ranking officials of the Argentine Government who have contributed significantly to cooperation with China.

Chinese Ambassador Shen Yunao and Argentine businessmen also attended the inaugural ceremony.

**Panama Says U.S. Nuclear Submarine Transits Canal**  
*OW2206110388 Beijing XINHUA in English*  
0044 GMT 22 Jun 88

[Text] Panama City, June 21 (XINHUA)—A nuclear submarine of the U.S. Navy recently sailed "mysteriously" through the Panama Canal, the Panamanian official daily "MATUTINO" reported today.

Panamanian Ancon Navy Base Representative Emilio Garcia made public photographs showing that the submarine sailed through the canal. He was quoted by the paper as saying it has threatened the security of residents and workers in the area.

Garcia said the U.S. submarine was submerged when it went through the Culebra Pass, escorted by two patrol boats. It surfaced when it sailed into the Miraflores Locks.

The newspaper asked whether the Panama Canal treaty allows "this kind of ships to sail through the canal, as their load can be compared to dynamite that could explode if the necessary safety measures are not taken."

The treaty, signed in 1977 by the United States and Panama, calls for the return of the canal to the Panamanian Government by 2000.

**Zhao Ziyang Views Reform Problems**  
*HK2306021788 Xian Shaanxi Provincial Service  
in Mandarin 2330 GMT 22 Jun 88*

[Text] CPC Central Committee General Secretary Zhao Ziyang stressed during a recent inspection of Shaanxi that large enterprises must step up the reform of their internal mechanism. All large enterprises must further emancipate their minds and seriously attach importance to and study the experiences in reform of medium-sized and small enterprises and township and village enterprises; without any major change in the ownership system, the mechanism of self-responsibility for profit and loss and of competition should be introduced boldly into the large enterprises, to invigorate them and improve their economic returns.

Zhao Ziyang arrived in Shaanxi from Shanxi on 17 June. He spent 5 days in the province and left Xian on 21 June. On the afternoon of 17 June, he heard reports given by the Yulin Prefectural CPC Committee and Commissioner's Office and the Shaanxi Provincial Coalfield Development and Operations Company. On 18 June, he inspected the (?forest nursery) in the sandstorm area of Yulin. From 19 to 21 June, in Xian and Xianyang, he visited the Shaanxi Color Kinescope General Plant, the Xian Huanghe Machinery Plant, and the Xian Aircraft Manufacturing Company, and listened to reports given by responsible persons of the Shaanxi Provincial CPC Committee and Government and the Xian and Xianyang city party committees and governments. He also held a forum with managers, directors, and party secretaries of some 10 large enterprises.

During his inspection and visits, Zhao Ziyang made many important comments on speeding up the reforms of the internal mechanism of large enterprises. Zhao Ziyang said: At present, certain large state-owned enterprises lag behind medium-sized and small enterprises and township and village enterprises in economic returns. This is a very big problem. In the medium-sized and small enterprises and the township and village enterprises, the equipment is poor, materials are expensive, there are few technicians, wages are high, and their burdens are heavy. Apart from paying taxes, the township and village enterprises also have to turn over some of their profit to the township governments, to subsidize agriculture with industry. However, the large state-owned enterprises have good equipment and high technological standards, and their average wages are lower than in the medium-sized and small enterprises and the township and village enterprises, while they pay less tax than the township and village enterprises. Given equal conditions, the production efficiency and economic returns of the medium-sized and small enterprises and township and village enterprises are higher than in the large enterprises. This is mainly because their internal mechanism is good and they genuinely take responsibility for their own profit and loss and practice remuneration according to work. They are well able to adapt themselves in market competition. And the reason why

the management of some large state-owned enterprises is backward and their internal mechanism is irrational is, as before, the influence of the iron rice bowl and the big ricepot. Large state-owned enterprises cannot, in the course of reform, always demand that the state give them tax and profit concessions, as happened in previous years. They must emancipate their minds, truly study and learn the experiences of the medium-sized and small enterprises and township and town enterprises, and speed up reforms of their internal mechanism.

Zhao Ziyang said: For large state-owned enterprises to speed up the reform of their internal mechanism and improve economic returns is currently a major issue related to the overall situation. China's economic structural reforms have now entered a crucial stage. In the past few years, we have scored great achievements in reform, but at present both the old and new systems are playing a role simultaneously. The old system has been weakened greatly, but it has not yet been eliminated completely. The new system has started to play its role, but it does not yet play the dominant role. Hence, there are many contradictions, and problems of all kinds are occurring all the time. The duration of the overlap between the old and new systems should not be too long; the longer it lasts, the less beneficial it will be for the reforms.

A major problem here is the price reform. And price reform is linked to wage reform. This is a difficult problem fraught with great risks, and it cannot be avoided. Whether we can successfully resolve the problems of price and wage reform will be determined mainly by society's endurance capacity; and this capacity is mainly determined by the financial situation. The key to the financial question lies mainly in the economic returns of the industrial enterprises, especially the large enterprises. If the large enterprises can improve their economic returns, they can support the price and wage reforms. And the solution of the price and wage problems will in turn create an excellent environment for enterprise reforms.

On how to speed up the reform of the internal mechanism in large enterprises, Zhao Ziyang pointed out that the key issue is to establish contracting on the basis of competition. We should ensure that the large enterprises, from the plant down to the each shift, establish a genuine mechanism of self-responsibility for profit and loss and of competition. If this is done well, a situation of moving ahead with irresistible force may arise in reforms in the enterprises. The conditions will exist for other reforms, such as in the personnel, labor, and distribution systems, labor productivity will increase, and enterprise economic returns will improve.

Zhao Ziyang said: The cadre system in the enterprises must be reformed fundamentally. We must create a very good environment to enable people to show their talent. At present, there are too many people in many large enterprises; there are too many second-line staff and



workers, and the first-line production workers are dissatisfied with this. In carrying out the labor system reform in the enterprises, we should set a fixed number of staff and workers according to the amount of work, and then practice bidding and hiring on the basis of competition. We should also institute an optimized organization of labor in the first line of production. Surplus people should leave their posts and join tertiary industry or, after retraining, display their strong points in more suitable work. Enterprise departments serving production and the workers' daily life should practice independent accounting and self-responsibility for profit and loss.

Zhao Ziyang said: It appears very difficult for the enterprises to carry out these reforms, but so long as the reforms are truly integrated with competition and contracting within the enterprises, they will yield very good results. The key lies in making things more transparent. We should allow all the staff and workers to know how the reforms should be carried out. Second, we must uphold equality of opportunity; everyone is equal in the face of rules and regulations.

Zhao Ziyang also demanded that the province and cities attach importance to the reforms of the internal mechanism of the large enterprises and create excellent external conditions for these reforms. At present certain companies where government has not been separated from enterprise are using administrative powers, such as that of allocation of materials in short supply that are in their hands, to control the enterprises. This state of affairs must be changed.

**Paper Reports Factory Director-Secretary Conflict**  
*HK2306034588 Beijing RENMIN RIBAO in Chinese*  
10 Jun 88 pp 1, 2

[Article by RENMIN RIBAO reporter Li Jie (2621 2638): "The Grief of Henan's Xuchang No 2 Internal Combustion Engine Parts Plant—A Perspective of the 'Civil War' in the Plant"]

[Excerpts] With the escalation of the "civil war" between the party committee secretary and the director, Henan's Xuchang No 2 Internal Combustion Engine Parts Plant, which failed to produce good economic results because of improper management, became famous within and outside the province overnight. [passage omitted]

Actually, the "civil war" in the plant did not start just 2 or 3 months ago. Disunity between the party and administrative leading body started when it was formed.

In November 1985 the former director resigned because of poor management, while party committee secretary Song Hailiang remained in office. When Song Hailiang was informed that former deputy director Li Zhenyan had been assigned to take charge of the plant's administrative work, he asked the higher authorities to transfer him to another post. Li Zhenyan was quite aware of this.

Hence, the workers said that the party and administrative leading body of the plant was a contradictory body, mixed up from the very beginning.

These are facts. On the third day after Li Zhenyan took charge of the plant's administrative work, he criticized the mistakes of the former party and administrative leading body at a meeting of medium level cadres, saying that "the former director made a mess of the plant, but the party committee secretary also made a serious mistake in supporting the director so he must confess his mistake to all the workers and make self-criticism." "Unless Song Hailiang confesses his mistake in public, it will be impossible for me to unite with him."

In the 2 years or so since, the fight between the leaders of the party and administrative organs has continued sporadically and their relations have varied from good to bad. Even at times of "cease-fire," each side has tried to hit or kick the other.

A medium level cadre told this reporter that the contradiction between the party and administrative leaders has been aggravated by their selfish interests. How can the leading body be united when the secretary and director bring their selfish interests into enterprise management and attribute all merits to themselves? How can this not affect enterprise production? [passage omitted]

The wage adjustment also gave rise to contradictions between the administrative organ and the trade union. The workers were dissatisfied with the problems arising from the wage adjustment so they lodged a complaint with the city authorities. Li Zhenyan requested the trade union to do persuasion work, believing that the trade union was incompetent. He refused to recognize the chairman of the trade union elected democratically by the workers and approved by the higher levels, did not let him attend meetings of medium level cadres, and requested reorganization and perfection of the trade union. [passage omitted]

Without the concerted efforts of the party and administrative leading body, close operation between party and administrative work, and democratic management with workers' participation, it is impossible to run an enterprise well. Over the past 2 years, the workers said, Li Zhenyan worked hard day and night yet he failed to run the plant well.

In the plant, Li Zhenyan proclaimed: The central authorities have entrusted us to implement the system of factory director assuming sole responsibility so I alone have the say here. Li regarded the powers of a factory director as his own. With such thinking, Li refused to listen to and did not allow different opinions. He acted arbitrarily and did a series of foolish things. [passage omitted]

Over the past 2 years or so, Song Hailiang, Li Zhenyan, and the deputy directors lodged complaints with the city authorities one after another. The medium level cadres and workers of the plant also went to the city government in groups to report the situation. However, not a single leader was willing to get involved in the matter. During this period, although leaders of the city went to the factory, they evaded the problem of disunity within the plant's leading body and left after hearing accounts given by the relevant plant personnel. [passage omitted]

Fortunately, the problem of the plant was eventually placed on the agenda of the city party committee and government when it became white-hot. The city party committee and government decided to terminate the contract undertaken by Li Zhenyan and publicly invite applications for the vacancy of director and to hold a meeting of party members of the whole plant to democratically elect the party committee secretary. The higher levels will no longer appoint a secretary.

The No 2 Internal Combustion Engine Parts Plant has hopes again amid the grief.

#### **Commentator Criticizes Conflict**

HK2306040788 Beijing RENMIN RIBAO in Chinese  
10 Jun 88 p 1

[Commentator's article: "There Should Be No More 'Internal Conflicts'"]

[Text] "The secretary shattered the director's dream to join the party, while the director broke the iron rice bowl of the secretary." This is an antithetical couplet written for the Xuchang No 2 Internal Combustion Engine Parts Plant. If our readers are not yet clear about "internal conflicts," please read the report on the plant in today's newspaper.

The director of the plant was on bad terms with the party secretary for a long time. Each tried to make things difficult for the other. Eventually both sides adopted organizational measures which became a white-hot "civil war." The report offers more details of the story. Although there are not many examples of a factory director brazenly fighting with the party secretary, party and administrative organs not getting along well with each other and disputes between party committee secretary and factory director within an enterprise are by no means rare. This can cause serious internal exhaustion. People often refer to "internal conflicts" as the endless disputes which exhaust energy, sap morale, and eventually wear down the enterprise.

There are "internal conflicts" of every description including open strife and veiled struggle, fights between individuals or groups, disputes within a unit or from outside, and quarrels at low levels or from the top. If asked why it is necessary to fight, they say "fights are inevitable, so we fight." Fighting can be avoided so long as we carefully examine the cases, properly deal with the

different kinds of "matters," and encourage everyone to stick to and act according to principles. "Internal conflicts" take place in those units where principles are forsaken and powers are abused for selfish interests. The "internal conflicts" in the Xuchang No 2 Internal Combustion Engine Parts Plant is an example. Based on such an understanding, people have reason to propose that those engaged in "internal conflicts" should first stop the pointless struggle and then solve the matters of right and wrong.

In the final analysis, an "internal conflict" is a fight for power. People fight for power. They fight when they have power. Hence, we should correctly deal with the question of power. Following the implementation of the system of factory director assuming sole responsibility, the director undertakes overall responsibility over production and operation of an enterprise. The role of enterprise party organization is to ensure supervision. Because party committees exercised unified leadership over enterprises in the past, it is a tremendous change for a director to become chief of an enterprise. Some directors and secretaries lack an understanding of this change. As far as powers are concerned, some directors consider that their powers should not be supervised, while some secretaries who are not willing to be under the leadership of the factory director insist on "the party exercising leadership over everything," flagrantly interfering in the affairs of the director. You have your powers and I have mine. This question, if not properly handled, will inevitably lead to a fight for power. The fundamental reason for the "internal conflicts" in the Xuchang No 2 Internal Combustion Engine Parts Plant is the fight for power. To solve these problems, we should gradually harmonize the relations between factory director and secretary systematically and by improving the quality of cadres in the practice of deepening reform and under the guidance of the spirit of the 13th party congress on separating the functions of the party from administrative departments.

The long-drawn-out "internal conflicts" are also related to the work style of evading problems and procrastination in the work of the higher level leading organs. The plant in Xuchang is right under the eyes of the city party committee and government. The lower levels frequently reported the situation while the higher levels also conducted investigations. They should have been well aware of the seriousness of the matter. However, they did not begin settling the matter until the small fight became a big one and the big fight became a fierce one. This dilatory style of work reminds us of those referees who fail to punish and penalize those breaking the rules. Obviously, these referees do not fulfil their duties.

There should be no more "internal conflicts"! Have we not suffered enough from this?



**Paper Advises Youth To Respect Authority**  
*OW2306074188 Beijing XINHUA in English*  
*0637 GMT 23 Jun 88*

[Text] Beijing, June 23 (XINHUA) — The "CHINA YOUTH NEWS" today advised China's young people to respect the authority of the party and government and of the laws and systems.

"This is vital to the current reforms," said the paper in a commentator's article. "Negating authority in the reforms would amount to negating the need for a train schedule for running the railways and a command tower for an airport."

"If it is considered that reform means doing away with anything authoritative, society will collapse into confusion and disorder," it said.

The paper took the issue with some young people who tend to negate everything, including the authority, in sweeping away the old and ushering in the new.

Authority is an inevitable outcome of developing society, the paper said.

"Especially now when individual economic activities are a part of the social economic endeavor, it is hard to imagine normal production and social development without authority."

**CPC Reports Membership Statistics**  
*OW2206151588 Beijing XINHUA in English*  
*0725 GMT 22 Jun 88*

[Text] Beijing, June 22 (XINHUA) — China's ruling Communist Party has enrolled 12.85 million new members over the past nine years, bringing its total membership to 47 million.

According to officials at the party Central Committee's Organization Department, 2.3 million of the new members are people with expertise including school-trained specialists, indicating an end to the old discrimination against intellectuals.

People below the age of 35 account for two thirds of the total recruited every year, say the officials, adding that at the end of 1987, 27 percent of the party members belonged to the 18-35 age group.

Applicants for party membership have increased in numbers with each passing year, numbering eight million last year. But, the officials say, there are still problems.

In some cases, they say, people are admitted into the party on account of their educational level or fame, to the neglect of their political and ideological quality.

**New Bureau To Regulate Product Quality Supervision**  
*HK2306023188 Beijing CHINA DAILY in English*  
*23 Jun 88 p 1*

[By staff reporter]

[Text] A new bureau is to be set up in Beijing to regulate and co-ordinate the supervision of product quality throughout the country, CHINA DAILY learned yesterday.

The State Bureau of Technical Supervision, which will replace the existing State Bureau of Metrology, the State Bureau of Standardization and the Bureau Quality Control under the former State Economic Commission, will come directly under the control of the State Council, said Xu Zhijian, director general of the bureau.

The organization, to be officially inaugurated on July 10, will act separately from other government departments and will take overall charge of the management of quality control, he said.

The State Council has set up the organization to strengthen the government's control over the supervision of product quality and improve the existing situation which has resulted in the enterprises facing too many obstacles, he said.

The current system of supervision of product quality, for instance, causes problems for the enterprises as a result of decentralized management and overlapping organizations and inspection procedures, he said.

**Press Briefed on Democratic Association Congress**  
*OW2206153788 Beijing XINHUA Domestic*  
*Service in Chinese 1537 GMT 15 Jun 88*

[By reporter Zheng Qingdong]

[Text] Beijing, 15 Jun (XINHUA) — This afternoon, Sun Qimeng and other leaders of the China Democratic National Construction Association held a press conference for Chinese and foreign reporters at the All-China Journalists Association on the association's upcoming fifth national congress.

Sun Qimeng, chairman of the Central Committee of the China Democratic National Construction Association, said: The fifth national congress, which will open tomorrow morning, will be the largest in the history of the China Democratic National Construction Association and one of great importance; it will carry on the past and forge ahead into the future. The congress will revise the association's constitution, sum up its work in the past 5 years, and elect new leading organs.



Sun Qimeng continued: The China Democratic National Construction Association has grown rapidly in recent years. As of the end of last year, its membership totaled 41,744 people, with 231 local branches at various levels and 21,333 subbranches.

Wan Guoquan and Feng Tiyun, vice chairmen, and Wu Dakun and Li Chonghuai, Standing Committee members of the Central Committee of the association, answered questions from Chinese and foreign reporters regarding commodity prices and democratic parties.

Feng Tiyun disclosed at the press conference that a number of important laws and regulations, including the "PRC Supervision Regulations," "Provisional Regulations on Punishment for Dereliction of Duty and Malfeasance by Civilian Workers," and "Provisional Regulations on Administrative Punishment for Corruption and Bribery by Civilian Workers," will soon be promulgated one by one; they will deal a major blow to government corruption and improve work efficiency.

**Unified Income Tax System Planned**  
*OW2206132488 Beijing XINHUA in English*  
1214 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA) — China is developing a unified income tax system according to Jin Xin, director of the State Administration of Taxation.

The OVERSEAS EDITION of today's "PEOPLE'S DAILY" quoted Jin as saying that the new move is designed to both ensure sufficient state revenues and invigorate enterprises.

China's income taxes are now levied on state-owned, collective and private businesses separately.

Provisional regulations concerning income tax on private enterprises will be published soon, he said.

The tax reform program will involve the collection of a value-added tax along the entire course of the industrial production process, a consumption tax on some special goods, and a business tax on the transport, service and banking industries.

Furthermore, local authorities will be authorized to adopt necessary procedures regarding the collection of local taxes.

According to Jin Xin, China will introduce a system of individuals declaring their incomes to tax offices to facilitate the collection of the income regulatory tax.

He also revealed China collected 89.7 billion yuan (about 24 billion U.S. dollars) in taxes in the first five months of this year, representing a 15 percent increase from the same period in 1987 and meeting 41 percent of its annual target.

The country now has 25,000 tax offices employing 400,000 people, who collect 23 taxes from 30 million taxpayers and 100,000 rural markets.

Taxes now comprise 95 percent of China's state revenues, Jin said.

**Energy Minister Discusses Ministry Tasks**  
*OW2306050888 Beijing XINHUA in English*  
1428 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — Promoting a rapid development of the country's energy industry and constantly raising its economic efficiency are the two fundamental tasks of the Energy Ministry, Chinese energy minister said here today.

Huang Yicheng, minister of China's energy resources, said this at the ministry's inauguration ceremony here this afternoon.

The ministry was set up on the basis of the industries of coal oil, nuclear industries, and water resources and electric power, which have been eliminated in the reform of the set-up of the State Council.

Huang said, instead of a simple combination of the four, his ministry will shift the functions to focus on the macro management and planning of the industry, making a reasonable use of resources so as to better serve the development of the national economy.

He said the primary task of his ministry is to accelerate the construction of the power industry. As for the capital needed, he said, money will be collected through various channels, including state investment, bank loans and utilizing foreign capital.

Coal accounts for more than 70 percent of China's energy resources. As a result of reduced investment in coal, there has been no new coal mine put into construction in the past two years. Future coal production capacity is seriously threatened.

Huang pointed out that the Energy Ministry should take necessary measures to ensure the steady increase of the coal output.

According to the minister, China's oil exploration and development is now in difficulties. It has been very hard for the industry to obtain an annual increase of three to four million tons in the past two years, but it is still far from sufficient.

To promote the oil industry, Huang said, investment needed could be increased by borrowing foreign capital, collecting money through various channels, and readjusting the ratio between crude, gas and processed oil and oil products.

Huang's task lists also include the start of the country's nuclear power construction. He said, by the beginning of the next century, transport will be a big problem and the environment will be severely polluted if all the industrially developed coastal areas rely solely on thermal power.

As for the development of water resources, Huang said a practical way is to sell the power to networks and use the money for further development.

**More Laws To Govern Overseas Chinese Affairs**  
*OW2306024088 Beijing XINHUA in English*  
*1330 GMT 22 Jun 88*

[Text] Beijing, June 22 (XINHUA) — China will update legislation concerning nationals living abroad, according to an official of the National People's Congress (NPC) Overseas Chinese Committee.

The official said here today that this is aimed at meeting the needs of the country's further opening to the outside world, and improving the legal protection for the returned Overseas Chinese and their relatives.

At today's meeting, the official said that laws protecting the rights and interests of the returned Overseas Chinese and their relatives, and Overseas Chinese, as well as regulations on the favorable treatment concerning their investment in China are now being drafted.

At present China has only three sets of regulations concerning the affairs of Overseas Chinese, which include the regulations on Overseas Chinese applying for the use of state-owned uncultivated land, the rules on Overseas Chinese contributions to education and the rules on Overseas Chinese investing in state-owned enterprises — all issued in the 1950s.

The new regulations will give more incentives for Overseas Chinese to invest in China.

**Public Encouraged To Use Leisure Time Wisely**  
*OW2306082988 Beijing XINHUA in English*  
*0158 GMT 23 Jun 88*

[Text] Beijing, June 23 (XINHUA) — The "CHINA DAILY" carried a signed article today, claiming that leisure time of the Chinese people as a whole remains rather sterile.

This is because not enough money is spent on recreational activities and the working of "leftist" ideas and the time-honored Chinese way of life shaped in the past millennia also have their effects, the article said.

In old China, extreme poverty denied the lower classes of all opportunities of entertainment. Life dragged on in a work-eat-sleep rhythm. Hardly had the darkness fallen than the poor farmers went to bed because they had nothing else to do and they wanted to save lamp-oil.

For decades, the Chinese people were required to condemn the "life style of the bourgeoisie" and recreational activities were kept to the minimum.

But sterile spare-time life, among other things, breeds crime and ignorance, a belief which has been borne out by past developments. So enriching the people's leisure time is by no means a trifling aim, the article said.

The article classified the recreational activities into five categories according to the people's age.

Schoolers are overburdened by their heavy study workload, hardly finding any time for entertainment. "Every Sunday therefore becomes a golden time for them to relax and refresh themselves".

Television offers a major recreational outlet for young workers and civil personnel. Some go to night-schools or universities. Others learn tailoring, how to maintain electric appliances, or how to operate computers in their spare time.

In addition, many engage in social activities, busy knitting the net of social connections. At the same time, many others chat their time away, or indulge in poker games and gambling, the paper said.

The middle-aged see to housework, coaching children in study, and watching TV in most of their spare time, thus keeping them away from social activities.

The old help cope with housework, nurse grandchildren, and find some time watching boring TV films.

"They have plenty of time for recreational activities, but lack of occasions, facilities, funds, or effective organizations in reality make their lives rather dull," the article said.

In view of all this, the article said, "we need more colorful recreational activities, facilities and occasions for people of all ages and all families."

**Ministry Urges Vigilance in Railway Safety**  
*OW2306021888 Beijing XINHUA in English*  
*1406 GMT 22 Jun 88*

[Text] Beijing, June 22 (XINHUA) — The Ministry of Railways issued a notice on upholding railway public security and order to ensure summer transport safety today.

There have been many severe train accidents this year, Luo Yunguang, vice-minister of railways, said at a telephone conference today.



The railway departments have shouldered a heavy task with the deepening of the national reform and further opening to the outside world, the vice-minister said. Their task is heavier this year, as it is the year for international tourism, particular in summer time.

The vice-minister urged local Railway Department leaders to get support from local governments and public security bureaus, take positive measures to strengthen public security in the next three months and crack down on criminal offenders.

Also speaking at the telephone conference, Yu Lei, minister of public security, called on local public security departments to do a good job to help railway departments.

**Tian Jiyun Urges Integrating Flood, Drought Work**  
*OW2306054988 Beijing XINHUA Domestic Service*  
*in Chinese 1206 GMT 18 Jun 88*

[By reporter Zhang Jianjun]

[Text] Beijing, 18 Jun (XINHUA) — With the entire country entering the flood season, the Central Flood Control Headquarters today held a plenary meeting to further inspect and arrange flood-prevention work. The meeting was presided over by Vice Premier Tian Jiyun who is also the head of the Central Flood Control Headquarters. He urged flood control organizations at all levels to be fully prepared. He also called on all localities and departments to be vigilant and well-prepared and make concerted efforts to ensure successful flood prevention and antidrought work this year.

Yang Zhenhuai, deputy head of the Central Flood Control Headquarters and minister of water resources, briefed the meeting on the flood prevention work and situation in various localities and departments. He said: Since the first meeting of the Central Flood Control Headquarters, all localities have generally implemented a system of responsibility for flood prevention; inspected major flood prevention facilities and weak spots; and taken necessary measures. Progress has been made in regularizing flood prevention; large amounts of funds for flood relief and flood prevention have been earmarked; and all kinds of flood prevention materials have been prepared. However, some problems that need solution still exist, and they should not be overlooked.

After being briefed by responsible persons of the departments concerned, Vice Premier Tian Jiyun pointed out that currently, the major task in flood prevention is to overcome indifferent attitudes and a slack mood at all levels. He said: It is wrong and very dangerous to think that flood prevention efforts are wasted if floods do not occur. Floods usually break out suddenly, and they are highly destructive, directly threatening people's lives and property. In flood prevention work, we must adhere to the principle of "putting safety and prevention first." We must not harbor the idea of leaving things to chance; we

must ensure "preparedness." He pointed out: Flood prevention is the bounden duty of all circles. All departments and localities must not wrangle over flood prevention or flood relief work and must do all they can to fulfill their duties. Principal leading cadres of all departments and localities must personally take a hand in flood prevention work, delineate responsibilities at all levels, and duly mete out rewards and punishment.

Tian Jiyun repeatedly emphasized the need to prevent floods and work according to law. He said: We have promulgated such legislation as the "Water Law" and the "Regulations on River Management." Today, it is not that we do not have laws to follow. We should seriously solve the problem of failure to abide by laws and failure to enforce laws. Obstacles blocking water passage must be resolutely cleared, and this is a proper way to uphold the law. Localities where obstacles have not yet been cleared must take action to clear them. Efforts should be made to clear obstacles that reappear and consolidate results of removing obstacles. All localities should pay attention to improving unsafe reservoirs; work out relevant personnel and material plans and measures to deal with emergencies; and set up communications and alarm systems in order to safely tide over possible floods.

Tian Jiyun called on all localities to prepare for floods and droughts at the same time. He said: Owing to climatic changes, droughts — often alternating with floods — occur in our country every year. They have a great adverse effect on our agricultural production. The State Council has decided that from now on the Central Flood Control Headquarters will also be in charge of antidrought work. Therefore, flood control and antidrought organizations at all levels must adhere to the guiding principle of simultaneously preventing floods and droughts and properly integrating antiflood and antidrought work instead of regarding them as being irrelevant to each other. Only in this way, can we achieve success. It is necessary to take antidrought measures, properly handle the relationship between flood prevention and antidrought water storage, and seize good opportunities to store water for use in dry seasons.

Responsible persons of the departments concerned attended the meeting. They included Li Changan and Ye Qing, deputy heads of the Central Flood Control Headquarters.

**Li Ximing Stresses Party Leadership at Meeting**  
*OW2206230588 Beijing XINHUA in English*  
*0711 GMT 22 Jun 88*

[Text] Beijing, June 22 (XINHUA) — Communist Party members, particularly those in leading positions, should play their exemplary roles when the nationwide reform is at its crucial time, Li Ximing, party secretary of Beijing Municipality said at a meeting here Tuesday.



Li, a member of the party's Political Bureau, said China's reform of price and wage systems means the country will have to bear some risks. He said party members must never weaken their belief in the reform and China's modernization. Departments under the municipal party committee must be efficient, honest and maintain close ties with the people. He said the party organizations in the departments should be bold enough to exercise supervision over the leaders in the municipal committee.

"Those to be criticised must be criticized, and those have to make self-criticism must do so as well," Li said. Furthermore, discipline within the party must be strengthened.

He said despite low salaries and benefits, party officials must cherish the spirit of "being concerned before anyone else becomes concerned and finding enjoyment only after everyone else has found enjoyment."

**Encourages Role of Mass Media**  
*OW2206132088 Beijing XINHUA in English*  
*1106 GMT 21 Jun 88*

[Text] Beijing, June 21 (XINHUA) — The Beijing municipal party committee secretary said it is necessary to improve supervision by the mass media over society and the party so as to ensure the smooth development of China's on-going reform.

Li Ximing made these remarks at a three-day discussion involving retired cadres which closed here yesterday. Li is a member of the Political Bureau of the Chinese Communist Party Central Committee and secretary of the Beijing municipal party committee.

Li said China is now at a turning point in its development. Under such circumstances, some unhealthy tendencies are liable to occur both inside and outside the party.

To promote the reform, concerted efforts should be made to struggle against such unhealthy tendencies. Otherwise, they will be "detrimental to the reform", Li said.

To do so, it is necessary to "strengthen supervision" by the mass media over society as well as the party.

For example, Li said that situations involving abuse of power for personal gain rarely come to light unless exposed to the public by news reporters.

"People in leading positions should not be reluctant to see such supervision," Li said.

He said the mass media should also strive to create an environment conducive to the country's on-going reform.

**Leading Modern Novelist Xiao Jun Dies**  
*OW2306042388 Beijing XINHUA in English*  
*1443 GMT 22 Jun 88*

[Text] Beijing, June 22 (XINHUA) — Xiao Jun, one of China's leading modern novelists, died here today at the age of 81.

His novels, "Countryside in August", "Past Years" and "Mines in May" have long been popular among Chinese readers.

Xiao was once a member of the National Committee of the Chinese People's Political Consultative Conference, and of the China Federation of Literature and Art Circles, adviser to the Chinese Writers Association and deputy president of the Beijing Writers Association.

**Public Bidding for Space Projects Saves Money**  
*OW2306122188 Beijing XINHUA Domestic Service*  
*in Chinese 0619 GMT 22 Jun 88*

[By reporter Xu Zhimin]

[Text] Beijing, 22 Jun (XINHUA) — This reporter today learned from the concerned department under the State Commission of Science, Technology, and Industry for National Defense that the first sets of special equipment ordered through public bidding for use in satellites and missiles were quickly researched and manufactured with good quality. As a result, there was a saving of 15 million yuan.

In the past, sets of special equipment used in satellites, missiles, and other highly sophisticated scientific research projects concerning national defense were ordered through state mandatory planning. Since 1985, the State Commission of Science, Technology, and Industry for National Defense has reformed the structure of scientific research and production and introduced the mechanism of competition into the entire process of equipment research, manufacturing, and production by ordering major special equipment through public bidding.

The first sets of special equipment ordered through public bidding are used mainly in control and survey systems for satellites entering different orbits and for space vehicles. Most of the sets are key equipment for our country's space survey and control systems. There are new breakthroughs in some aspects of outer-space surveying, telemetering, and remote control technology, and some have approached or reached advanced world levels. As of now, 60 percent of the equipment have been delivered and are being used. Much of the equipment have played an important role in our launch last March of a stationary communications satellite.

A responsible comrade of the department concerned told this reporter: The manufacturing cost of such equipment ordered through public bidding is generally lower than budgeted, and more than 5 million yuan was saved on one set of equipment alone.

**Traditional Chinese Medicine 'Booming Business'**  
*OW2206175288 Beijing XINHUA in English*  
1004 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — Traditional Chinese medicine has become a booming business in China, side by side with Western medicines.

According to the State Pharmaceutical Administration, last year's purchased volume of traditional Chinese medicinal materials totalled 736,000 tons. The amount was 34 percent higher than 1978. Sales volume reached 2.7 billion yuan, a 120-percent gain from a decade ago.

Materials in short supply dropped from 147 in 1978 to 77, the lowest ever.

The output volume of prepared traditional Chinese medicines has increased from 80,000 to 210,000 tons in the ten years; the number of preparations have grown from 3,000 to 4,000.

While traditional Chinese medicine dates back thousands of years, its development was slowed with the introduction of Western medicine earlier in this century. The establishment of the State Pharmaceutical Administration in 1978 gave traditional medicines a big push and since then they have surpassed western medicines.

Hong Lang, an official of the State Pharmaceutical Administration said modern science and technology have been widely applied in traditional medicine. Biotechniques, such as tissue cultivation and cross-breeding, for example, have improved plant varieties. They were applied to the fruit of the Chinese wolfberry (*Lycium Chinese*) which is used to treat fever, cough and waist pain. The new variety has a thinner skin, thicker pulp and no seeds.

Traditional Chinese medicine has also been combined with Western medicine to good effect, Hong said.

Chinese medicines now appear in 40 forms from pills, powders, and plasters to injections, capsules and sprays.

**Handicapped To Receive Greater Attention**  
*OW2206121688 Beijing XINHUA in English*  
1143 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA) — The Chinese medical system is starting to pay greater attention to the needs of the nation's physically handicapped, according to today's "HEALTH NEWS."

Research organizations have been set up, said the paper, adding that the China Research Society for the Rehabilitation of the Handicapped, set up in 1986, now has a membership surpassing 3,000.

Research is progressing rapidly, and in twenty-five universities, courses on physical therapy for the handicapped have been added, said the paper.

China now has 51 million citizens with disabilities, according to the paper.

**Youth League Condemns Pornographic Literature**  
*OW2206215888 Beijing XINHUA in English*  
0700 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — The Chinese Communist Youth League is concerned about an increase in pornographic literature in China, "GUANGMING DAILY" reported today. At a national discussion participants noted that a great number of books featuring pornography have been published and sold at exorbitant prices.

Yet many fine books by noted foreign authors, already translated into Chinese, can't find a publisher because of a paper shortage.

The participants proposed stiffer enforcement of pornography laws with heavy fines and penalties for sellers. They urged stricter labelling of materials unsuitable for people under the age of 18 and called for young people to reject pornographic publications. They said lists of low-grade books and magazines should be published regularly.

**Personnel Minister Zhao Dongwan Interviewed**  
*OW2206142088 Beijing XINHUA Domestic*  
Service in Chinese 1121 GMT 16 Jun 88

[Excerpts] Beijing, 16 Jun (XINHUA) — Minister of Personnel Zhao Dongwan recently answered a XINHUA reporter's questions on the formation of the Ministry of Personnel and reform of the personnel system.

Reporter: In the current reform of organizations under the State Council, the formation of the Ministry of Personnel has attracted great attention at home and abroad. Would you tell us why it was necessary to establish the Ministry of Personnel?

Zhao Dongwan: In accordance with the decision of the NPC on reform of organizations under the State Council, the Ministry of Personnel began operations after 3 months of preparations for establishing it. The Ministry of Personnel was established to meet the needs of reform of the economic structure and, in particular, the reform of the political structure. Its purpose is: 1. To speed up reform of the cadre personnel system and establish and



promote a national public service system; 2. to implement the principle of separation of party and government and strengthen the government's comprehensive role in personnel management; 3. to strengthen the management and building of contingents of professional and technical personnel, select and promote capable people, and give full play to the role of those people in order to better suit the needs of socialist modernization; and 4. to promote the reform of various organizations and strengthen legal control over the size of various organizations.

**Reporter:** There have been several changes in the organization of personnel management since the founding of New China. Are there any differences in duties and tasks between the new Ministry of Personnel and past organizations?

**Zhao Dongwan:** Since the founding of New China, there was a Ministry of Personnel under the Central People's Government in the early 1950's, which was later changed to the Ministry of Labor and Personnel. Each change had its different historical reason. The current Ministry of Personnel was formed against the historical background of the reform of the political structure and therefore its duties and tasks are quite different from past personnel organizations in scope and specific content. The new Ministry of Personnel's function is to undertake the comprehensive management and control of government functionaries and the size of state organizations. Its main duties and tasks are: to establish and promote a national public service system; administer public servants at certain levels; comprehensively manage professional and technical personnel throughout the country; coordinate reform of the personnel systems of various enterprises; establish a personnel administration system which is conducive to the cultivation, selection, promotion, and rational use of capable people; and implement reform of the various government organizations, adjust the functions and sizes of various government organizations, and gradually realize scientific and legal management of personnel.

**Reporter:** After listening to your introduction, it seems that the Ministry of Personnel has important and heavy tasks. As the first minister of the newly established Ministry of Personnel, how will you carry out your work?

**Zhao Dongwan:** The fundamental task of the Ministry of Personnel is to extensively select capable people for the state and give full play to their role. In order to achieve this, we must adhere to reform and the open policy. We must put reform at the center of our work, implement the principle of open competition based on equality, strengthen democratic supervision, and expand openness and publicity in personnel management.

First, we should lay stress on establishing and promoting the national public service system in reforming the cadre personnel system. The various administrative organizations should speed up the implementation of the public

service system. From now on, recruitment of personnel from among society will be based on public examination and only outstanding people will be selected. We should introduce competition in enterprises and select outstanding personnel for appointment through public bidding. We should also introduce competition in administrative organizations in personnel management and adopt different methods in different situations. Those administrative organizations which have implemented or can implement business management methods should adopt methods similar to those used by enterprises. As for those administrative organizations which are unable to implement business management methods, we should extensively promote the contract system. The selection and dispatch of staff for international organizations should also be based on the principle of open competition based on equality. We should change the practice of selecting people from among ministries and departments for assignments and select people from society through unified examinations.

Second, we should grasp the building of contingents of professional and technical personnel and give full play to the role of intellectuals. [passage omitted]

We should further improve treatment of and pay for intellectuals. In the light of the special characteristics of scientific research, education, and health departments, we should establish a relatively independent wage system for intellectuals, which is not linked to the wage scale of common enterprises. At the same time, we should study the establishment of a wage system for government functionaries. [passage omitted]

Third, we should do a good job in organizational reform of government. Under the guidance of the Party Central Committee and the State Council, we should continue to carry out organizational reform of units under the State Council. According to the demands of "changing functions, delegating power to lower-level units, adjusting organizations, and reducing personnel," we should conscientiously do a good job in defining spheres of responsibility, changing functions, reasonably reorganizing various units, reducing staffs, and properly resettling surplus personnel. [passage omitted]

**Reporter:** At present the general public is rather concerned about the national public service system. Could you talk about the contents of the system and its characteristics?

**Zhao Dongwan:** The 13th CPC National Congress decided that a national public service system be implemented in our country, and clearly formulated provisions regarding the basic principle and contents of the system. I am convinced that the national public service system is a complete scientific system for personnel management. It includes the classification of job titles, the examination and appointment of staffs, evaluation for reward or punishment, promotion and demotion,



training and education, wages and welfare, retirement and leaves from duty, protection of employees' rights, and work discipline. [passage omitted]

Reporter: The national public service system is indeed a major reform of the current cadre personnel system. What are the ministry's specific plans for promoting the national public service system?

Zhao Dongwan: Establishing and promoting the national public service system is a complex social project. We must have a firm attitude, adopt scientific methods, and take prompt action and proper steps to promote the national public service system. In line with the demands of the 13th CPC National Congress, we are contemplating the establishment of a framework of the system in the next 5 years in order to lay a good foundation for promoting the system in an all-round way. The main contents of this work include the promulgation of the "Regulations Governing Public Servants" and related laws and regulations; the step-by-step implementation of these regulations in various central, provincial, and city administrative organizations; the gradual replacement of existing qualified staff of various administrative organizations by public servants through strict examinations and evaluation; and the establishment of a national college of public administration and a number of local colleges of public administration to form a primary network for training public servants.

At present, we are stepping up the enactment of the "Provisional Regulations Governing Public Servants" and related laws and regulations and actively training backbone cadres to promote this work. Before long, we will implement the provisional regulations on a trial basis in a number of provinces and municipalities and several ministries and commissions under the State Council. The implementation of the national public service system is an important content of the reform of the political structure. It affects tens of millions of cadres and masses and requires the support of society in all fields. We are convinced that, under the leadership of the party Central Committee and the State Council and through the joint efforts of people of various circles of society and staff members of government organizations at various levels, we can certainly establish a modern socialist national public service system in our country, an ancient country with a long history and civilization known to the world for its past examination system.

**Exploration of Unemployment Issue Urged**  
OW2206153888 Beijing XINHUA Domestic  
Service in Chinese 2347 GMT 15 Jun 88

[By reporters Wang Wenjie and Li Weiping]

[Excerpts] Beijing, 15 Jun (XINHUA) — Each year the state has to arrange employment for several million people who enter the work force. At the same time, it must also try to create new jobs for more than 20 million overstaffed workers. This is a very difficult task.

Today efforts are being made in various parts of the country to create new jobs and get more people employed through the development of social productive forces and readjustment of the irrational employment structure. Despite these efforts, many people are still without jobs, or at least they are not truly employed. This raises a profound question: Can a socialist country allow a certain "rate of unemployment?"

From what we learned, this question is being considered in various quarters. The problem is that no one dares do anything about it. Thus, labor departments knowingly continue to force people on already overstaffed enterprises and institutions, lest unemployment occurs. Similarly, few enterprises would touch the unqualified surplus personnel, even though the central document on labor reform specifically gives them the power to dismiss workers. Take Harbin City for example. There are at least 100,000 unqualified surplus workers in the city's enterprises, yet less than 10 persons were dismissed last year. Responsible persons of enterprises fear that these workers, if dismissed, would kick up a row or even seek revenge. The result is that they have more workers than needed and economic efficiency is lowered.

There is certain ground for people to worry about "unemployment." In the minds of some people, unemployment is linked with capitalism. Would we not depart from socialism if we allowed unemployment to exist in our country? [passage omitted]

Regarding the question of whether or not we can allow some people to be unemployed, people in economic circles have pointed out that the key lies in seeking truth from facts and in proceeding from China's reality. Yue Bing, an associate research fellow of the State Council Economic and Technological Development Research Center, said: Even in economically developed countries which have tackled the problem for more than 100 years, unemployment exists. For our country, where productive forces are still not well developed, the question is: Which is better, to follow the unhealthy path of high employment which leads to overlapping of jobs and low efficiency or to allow temporary unemployment of a number of people for the sake of improved work efficiency and economic results, thereby creating more bona fide jobs and helping improve the people's living standards more quickly?

Li Jianyi, a theoretical worker at the State Economic Commission Research Institute, further elaborated on this point: Allowing a certain rate of unemployment will be conducive to job competition. Competition will decide who stays employed, who should be transferred to another job, and who should lose his job. To avoid the predicament of being unemployed, workers will engage in fierce competition, creating a situation of survival of the fittest and a tension-filled work atmosphere. The fit will continue to work hard to seek and keep better jobs. The unfit will be forced by the pressure of unemployment to learn vocational skills and improve their work

attitude so as to catch up with the fit. As a result, economic efficiency of factory and enterprise will quickly go up. Obviously, allowing a certain rate of unemployment is a matter of major consequence, whose practicability requires serious study. Should it be decided that a certain rate of unemployment be allowed, relevant policies, such as those governing the provision of minimum living expenses for the unemployed and the establishment of departments responsible for the management, training, and employment of the unemployed, should be carefully and thoroughly studied and adopted. Any how, since we have raised this question, we must explore it further.

**Preferential Policy Attracts Foreign Capital**  
*OW2306130388 Beijing XINHUA in English*  
0546 GMT 23 Jun 88

[Text] Beijing, June 23 (XINHUA) — China has worked out a set of new preferential policies to lure more foreign investment into the country, today's "CHINA DAILY" quoted a senior trading official as saying.

Under the new policies, a 10 percent income tax will be levied on export-oriented or technologically advanced enterprises with foreign investment located in special economic zones or economic development zones. The previous income tax rate was 15 percent.

When foreign investors invest their profits in China, they will be exempt from the 10 percent withholding tax.

Upon the expiration of a 5-year legal tax holiday, export-oriented enterprises may continue to pay corporation income tax at half rate if they can export 70 percent or more of their products.

Technologically advanced enterprises are allowed to pay income tax at half rate for another 3 years in addition to the 5-year tax exemption and reduction period.

If their share of profits is reinvested in export-oriented or technologically advanced enterprises for a term of at least 5 years, income tax paid on the invested money will be refunded.

Land use fees will be reduced further, the paper reported.

In places where development fees and land use fees are computed together, foreign-invested enterprise will find their combined development and land use fees reduced to between 5 and 20 yuan per square meter a year.

In places where development fees are charged on a one-off basis or the site is developed by the enterprise itself, the maximum land use fee is 3 yuan per square meter a year.

Originally it was stipulated that the annual fee for construction land should be between 5 and 300 yuan per square meter.

Export-oriented or technologically advanced enterprises in highly prosperous areas in large cities can not enjoy such new preferential terms in land use fees, the paper noted.

Labour costs of foreign invested enterprises are also cut down. These enterprises are exempted from paying for the many kinds of state subsidies to employees, the paper added.

**Joint Venture Nabisco Plant Opens in Beijing**  
*OW2306050188 Beijing XINHUA in English*  
1047 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — Ritz, Premium, Escort and Maria brand biscuits and crackers, so popular in the West, will be manufactured in China at a new joint venture plant that opened here today.

The plant, a joint venture between Nabisco Brands, Inc. unit of RJR Nabisco and the Beijing Yili Food Company, is expected to produce more than 6,000 tons (or about 40 million packages) of American style biscuits and crackers a year.

Fifteen percent of the production will be exported. The rest will be sold in China.

The retail value will be about 20 million U.S. dollars.

The plant, built at a cost of 9 million U.S. dollars, represents the first investment of a major international biscuit company in China. Nabisco's share is 51 percent.

Speaking at the opening ceremony, Nabisco Brands Chairman James O. Welch, Jr., said that he hoped the venture will foster better understanding between China and the United States and bring tangible benefits to China's modernization drive.

"The People's Republic of China is a very important market to us," he said. "Our employees know China. They have an excellent working understanding of the market."

Welch said that in addition to the bakery, RJR Nabisco China is also working with local partners on a creamed corn project near Shanghai and a cigarette joint venture in Xiamen in Fujian Province.

Yili Food Company General Manager Li Shiyuan, who is chairman of the new joint venture, said the Beijing Municipal Government approved the plant as one of the first high-technology, export-oriented enterprises in the capital.



Also attending the opening ceremony were American Ambassador to China Winston Lord, Chinese Ambassador to the United States Han Xu, former Chinese Ambassador to the U.S. Huang Zhen, Chinese Minister of Light Industries Yang Bo, and deputy mayor of Beijing Zhang Baifa.

**Corporation Takes Over Beijing Military Plants**  
*HK2306023788 Beijing CHINA DAILY in English*  
23 Jun 88 p 2

[By staff reporter Zhang Yu'an]

[Text] A Chinese corporation yesterday announced its decision to take over 13 military factories in Beijing.

The transfer agreement was signed by the Capital Iron and Steel Corporation (CISC), one of China's 10 largest enterprises, which will take over the factories, and the North Industrial Group Corporation (NIGC) under the Ministry of Machinery and Electronics Industry.

Lai Jinli, Chief General Manager of NIGC, said the transfer is the best way to raise productivity and a reflection of the success of the country's further economic structure reform as a whole.

The factories, situated in Jilin, Liaoning, Heilongjiang and Gansu Provinces and the Ningxia Hui Autonomous Region, have been involved mainly in the machine building industry in the past and have received high praise from leaders on both for their contributions to national defence over the past 30 years.

As China has turned to a policy of army reduction, the factories were facing the problem of being unable to run to full capacity because of the sharp fall in military production orders, but they have huge potential in fields of production, technology and personnel.

The factories have 45,000 employees and 550 million yuan in fixed assets.

The CISC, the first big enterprise to adopt the contractual system in China, produces 3 million tons of iron and steel a year. last year it earned 1.345 billion yuan in net profit.

Having become financially strong, the CISC decided to develop itself into a comprehensive modern enterprise. It believes that the upgrading of China's iron and steel plants and the development of the world iron and steel industry will need a great deal of modern steel rolling machinery. The factories it has taken over will ink up to form a machinery engineering company under CISC control after thorough planning and re-organization.

To enter the international market, CISC has bought a 70 per cent share in a steel rolling machine designed and manufacturer in the United States at a cost of some \$3.5 million. The U.S. company is believed to produce half of the world's steel rolling machinery each year.

**Abolishment of 'Two-Track' Price System Urged**  
*OW1906055988 Beijing XINHUA in English*  
0651 GMT 18 Jun 88

[Text] Beijing, June 18 (XINHUA)—China's two-track price system is creating disorder in the marketplace and causing unhealthy tendencies that lead to corruption and degeneration, a commentary in today's WORKERS' DAILY said.

The paper called for abolishment of the system which permits both state-fixed and negotiated prices to coexist.

The paper said as much as 10 billion yuan (2.7 billion U.S. dollars), which should be handed to the state by state-owned enterprises, is flowing into the pockets of individuals and speculators who are taking advantage of the two price system.

This is causing a serious income imbalance, the paper said.

It said that by ending the system both state and enterprises would increase their incomes. Speculation would be curbed and consumption better guided.

The two-track system covers not only dozens of materials controlled by the state but also goods in short supply.

A letter from a Beijing reader printed on the newspaper's front page said speculators can become "wealthy" by getting certificates to buy goods at fixed state prices.

An 18-inch color television, for instance, may be purchased at the fixed state price of 1,500 yuan and then turned around and sold on the black market for as much as 2,400 yuan.

The differences in the price for an imported car can run as high as 200,000 yuan (54,000 U.S. dollars).

As a result, some party and government offices are making big profits by dint of their power and individual speculators use every opportunity to use their connections to get goods through the backdoor, the paper said.



**'News Analysis' Views Need for Price Reform**  
*OW2306081788 Beijing XINHUA in English*  
*0949 GMT 22 Jun 88*

["News Analysis: China's Actual Conditions Determine the Necessity for Price Reform" — XINHUA headline]

[Text] Beijing, June 22 (XINHUA) — After China raised the price of four non-staple foods: sugar, meat, eggs and vegetables in the beginning of June, many housewives complained that it has become more difficult for them to run their families.

However, without price reform, the state will also find it hard to run the country. This explains why China has determined to touch upon this most sensitive issue in its current reform.

The fundamental reason for the price reforms lies in the fact that production levels cannot keep pace with the growing demands of the people.

Last year, the supply of goods, although 15.1 percent more than the previous year, still fell short of demand, which increased by 19.4 percent.

An interesting anomaly is that despite the increased family expenditures, people's bank savings have gone up. Last year, individual bank savings exceeded 300 billion yuan, with another estimated 120 billion yuan being kept in private hands.

Some Chinese economists described the phenomenon as "abnormal", saying that it is a result of past policies which offered too many subsidies to citizens.

In 1987 China spent nearly 10 billion yuan on medical subsidies. From 1980 to 1986, the government invested more than 100 billion yuan in housing construction for employees in state-owned enterprises and institutions. But the rent paid on those projects only accounted for about two percent of the investment total.

For every one kilogram of grain consumed by urban residents, the state used to provide a subsidy of 0.34 yuan, while the subsidy for every kilogram of peanut oil was as high as 1.60 yuan at one time. Subsidies were also provided for meat, milk, eggs, vegetables, cotton cloth, coal and soap.

Moreover, the amount the state annually allots for various subsidies is constantly on the increase. Between 1978 and 1984, the total soared from 5.56 billion yuan to more than 32 billion yuan, a 580 percent increase. That compares to an increase in state revenues over the same 6 year period of only 34 percent. In 1987, state price supports climbed even higher to more than 50 billion yuan.

On the other hand, the incomes of both China's urban and rural dwellers have increased by a big margin. The wages of employees in state-owned enterprises and institutions in 1987 was 98.4 billion yuan more than five years ago, representing a 2.6 fold wage increase over the 20 years from 1959 to 1978.

As a result, a big consumption wave has taken shape. To meet the huge demand for durable goods, China has established in the last few years 113 color TV set production lines, 116 refrigerator production lines and 108 washing machine production lines, including imported ones.

To satisfy the increasing demand for meat, eggs and milk, more grain is needed. If each of the country's one billion people is to consume half a kilogram more of meat each year, an additional 3.4 billion kilograms of grain needs to be produced.

The World Bank estimated that a 10 percent increase in meat production in China requires an agricultural investment of 300 billion yuan. That figure is nine times the total production-related agricultural investment from 1978 to 1985.

From the above figures and facts, one can see that China is now caught in a vicious circle: The large consumer demand results in more investment in capital construction which in turn only fuels demand.

Finally, as the increased production of commodities still lags behind the increase in demand, prices shoot up.

China has devoted much effort to end this state of affairs by increasing the purchase price of agricultural products and industrial raw materials in an attempt to boost production.

However, the endeavor will ultimately find expression in the marketplace, leading to increased prices and more complaints on the part of the buyer.

However, to develop a commodity economy, price reform as well as reforms in wage and personnel systems are unavoidable. The earlier such reforms are carried out the better, since a delay would only cause China to pay more for the reforms in the long run.

Therefore, everyone throughout the nation needs to have a full understanding of the difficulties inherent in the reforms and make a joint effort to surmount them.

**TA KUNG PAO on Price Reforms**  
*HK2306034188 Hong Kong TA KUNG PAO*  
*in English 23 Jun 88 p 2*

["The Past Week" column]

[Text] The Great Risk [subhead]

Since the end of last month, Beijing has openly acknowledged that the current price reform entails great risks and difficulties, but the move is one which can neither be avoided nor detoured. Considering the highly complex nature of this reform, it can hardly be expected that it will be without mistakes here and there, Beijing has also warned.

Writing for a Chinese newspaper in Hong Kong, a well-known mainland economist cited the example of the price for a box of matches. For more than 30 years, he says, the price for a box of matches has been set by the government at two 'fen' a box. But in terms of cost, it may well be ten 'fen'. To say nothing of buying power, he observed, it is highly doubtful that the 'psychological tolerance' of the Chinese consumer can bear a quantum jump five times as great as before.

The gravity of the price reform is obvious because it touches the very livelihood of the world's largest population which has been accustomed to a low level of income matched by low prices which had at times seemed unimaginable by world standards.

The need for change became apparent when it was realized that, far from being socialist virtues, it was, basically, the very low price and the corresponding low income that had held back all initiative to generate the kind of productivity and affluence characteristic of a modernized nation which China hopes to be.

Although some of the low prices such as rent and the price of coal have not changed for 39 years, they are highly subsidized. It was found that the Chinese Government was so bogged down by the endless subsidies that it had long run short of funds even to maintain the public flats, not to say to build new ones. On the other hand, the coal industry had always been a money-losing enterprise despite the fact that China is the world's greatest coal producer. Lacking in funds, conditions and equipment at most pits and mines are still extremely backward.

Admittedly, conditions have dramatically improved in the nine years since the country embarked on the reform. The changes are most striking in the vast countryside where the peasants are now vested with the right to cultivate the crops in ways they see fit. They are free to sell any surplus on the market at the prevailing market price after fulfilling the quota they pledged to sell to the state by contract. To be sure, the Chinese peasant still does not own the land he tills. The difference is that, motivated by much greater incentives, he tries his utmost to reap a good harvest.

Things have indeed come a long way since the rural household-responsibility system was introduced since the early 80s. Today, literally tens of millions of peasants, while still living in their country homes, have found jobs in the new towns that have sprung up all over the country. This means that those who remain as peasants

will have considerably more land to till. The 'private' farms will become much larger than before, and there is a growing demand for more efficient farm implements, roads, chemical fertilizer, bank credits....

As Beijing sees it, there is still great potential to boost the agricultural output even with less manpower, while the millions who have trekked to the towns are employed to create extra wealth, mostly industrial or otherwise.

For agriculture, more good news came at the beginning of May when Beijing announced the lifting of the long-standing controls over the price of four major non-staple foods, namely, vegetables, eggs, pork and sugar. The move was deemed imperative to stimulate the supply of these foods to the cities. For a short while towards the end of last year even Beijing had to reimpose the rationing of pork and sugar. This was because of the low government procurement price of pork and sugar as compared with the rising price of fodder and other production costs. Consequently, the peasants turned to other sideline occupations or crops.

With the advantage of hindsight, it is no exaggeration to say that the impact of the decontrol greatly exceeded official estimations. The price of non-staple foods immediately went up from 30 to 60 percent. This soon sparked a wide range of price hikes from consumers goods to the service industries.

The steep price hikes made the official estimate for this year's rate of inflation of 15 percent look conservative indeed. Up from last year's increase of 7.3 percent, retail prices went up 11 percent in the first quarter of this year, the first double digit rate of inflation recorded in China in recent

#### Three Areas of Concern [subhead]

Recent reports from Beijing revealed at least three areas of problems that cast a gloom over the ongoing efforts to overhaul China's price system and arrest the current inflation. The first concerns the enormous increase of money supply in great excess of the growth of the country's GNP. The forboding increase of the money supply is also reflected by the mounting credits and loans extend by the banks on the one hand, but their failure to withdraw the currency from circulation on the other. The president of the Bank of China, Mr Li Guixian, pointed out recently that the excess money supply reached 4.2 billion yuan (U.S.\$1.1 billion) during the first five months of this year. He noted that this was most unusual for China which habitually withdraws currency from circulation during the first half of a year. Fueled by the fear of the renminbi's depreciation, a rush to spend is definitely behind the relentless inflation. The second problematic area concerns the colossal waste with which, unfortunately, the country is still afflicted. A report published in the PEOPLE'S DAILY on 13 June revealed that at least 20 million workers do nothing or simply doddle away their time during the eight-hour work day.



It reckons the loss from this waste alone to be 50-60 billion yuan (U.S.\$13.5-16.2 billion) a year, which roughly comes to half of the profits turned over to the state by state enterprises. And third, to what extent can the new wage scheme, index-linked to the price increase, absorb the shock of the awesome inflation? It is hard to say. China does have 120 million wage earners. Wouldn't this mean that more money has to be printed? And how can this stave off the inflation?

By tackling the difficult price reform head on, Beijing hopes to reduce production costs, increase productivity and eliminate waste. Or should it be said that it is on these that the success of the price reform depends?

**Rural, National Economy Clashes Viewed**  
*HK2306031588 Beijing GUANGMING RIBAO*  
*in Chinese 4 Jun 88 p 3*

[Article by Zhang Lining (1728 0448 1337): "The Root Cause of Contradictions and Clashes: Small-Scale Peasant Production"]

[Text] Owing to the rapid development of rural economy and the great changes in the rural production structure, the income of the peasants has also greatly increased.

However, in reviewing the course of rural economic development over the past few years, some factors of instability are still noticeable in rural, especially agricultural, economic development. They are mainly expressed by the following: 1) The enthusiasm of the peasants for grain production has subsided and the situation of grain production is uneven; 2) there is often instability in the supply of nonstaple food in the cities, and many nonstaple foodstuffs are in short supply; 3) there is often a great fluctuation in the production and supply of certain agricultural and sideline products, especially those relating to export, and "panic purchasing" of such products often occurs; 4) the long-standing high prices of agricultural and sideline products has become a great obstacle for reform of the agricultural and sideline products circulation structure. The existence of these problems not only reflects the unstable agricultural development but also shows that agricultural development does not quite suit the development of the national economy as a whole and the economic development in the cities. In a certain sense, it shows that the long-standing contradictions existing in both urban and rural economic development and both industrial and agricultural development have been aggravated rather than alleviated.

The fundamental reason for this is the dual structure composed of traditional agriculture and modern industry and the increasing contrast between the two. The contradictions between the small-scale production of peasants and the national economy or urban economy have emerged mainly for the following reasons:

1. The cost of agricultural products is increasing rather than decreasing, resulting in continuous price increase.

The basic demands of the 800 million peasants in their daily life form the cost of reproduction of the labor force. This cost cannot be reduced, and it will inevitably be included in the cost of agricultural products. The tense ecological relations between the rural population and the land, which have resulted from the peasants' small-scale production and which are hard to alleviate, have meant that the cost of this factor cannot be reduced but must continue to rise. There is only a narrow gap between the cost of agricultural products, which has a momentum to keep on rising, and the depressed prices of these products, and this gap can hardly produce any cushioning effect. Therefore, any disturbance in either the orientation of agricultural production or the orientation of marketing of agricultural products may cause fluctuations or magnified vibrations in both the production and supply of agricultural products or in the market demand and supply of these products. For example, the relative decline in the prices of certain products may bring about an internal readjustment of resources distribution in peasant households. As a result, the production and marketing of these products may be reduced (or relatively reduced) so that their prices may go up. However, due to the existing momentum for costs to continue rising and the narrow gap between cost and price, the increase in the production and marketing of these products resulting from the price increase is still unable to make their prices drop. It can at most keep the prices at the current level. Once the relative decline in their prices reappears, the above-mentioned course will be repeated, which will result in another price increase. That is why the prices of agricultural products have kept on increasing.

2. The influence of the dual-nature small-scale peasant economy.

The peasants are relatively independent in making decisions on their small-scale operations. They do not have many opportunities to directly go into the market and are comparatively incapable of analyzing market information. In addition, determined by the essential characteristics of their economic operations on a household basis, their reactions toward market simulation are always vacillating between their pursuit of the most basic means of subsistence and the greatest possible cash income, showing a considerable element of blindness and uncertainty.

Under the influence of certain factors, these characteristics of the small-scale peasant economy may possibly cause all kinds of problems to emerge in agricultural production or result in clashes between the small-scale peasant economy and the national economy. As the peasants are expecting to earn as much cash income as possible, when making arrangements for their household businesses, they usually put the greatest possible resources into promising productive projects on the



premise of maintaining the basic means of subsistence (chiefly grains) for their families. This decides that the production and supply of agricultural products are not entirely guided by the market and that in quantity, especially in structure, the agricultural products supplied by agriculture for the national economy and the cities bear, to a certain extent, a characteristic of subsistence. To put it concretely, not only is the quantity of agricultural products insufficient but also they lack variety and are low grade. Most of them are products determined by the traditional food structure, belonging to the category of low-grade products for subsistence. Very few of them are high-grade products. In a certain sense, both the production and supply of agricultural products are "imposed" on the market. On the other hand, with the growth of the national economy and the increase in the income of urban residents, higher demands have been set on both the quantity and quality of agricultural products either for the people's consumption or for industrial processing and export. Therefore, the contradictions between the demand of the national economy and the cities for agricultural products and the production and supply of these products cannot but be aggravated.

The above analysis shows that if the basic contradiction of the dual economic structure is not solved, the clashes between the rural economy and the development of the national economy will be unavoidable. Based on this idea, we suggest that two systems be adopted in agricultural production, that is, to insert a modern agricultural production system into the space between traditional agriculture and modern economic departments so as to reduce the contrast between them and to alleviate clashes.

**Commentator on Role of Political Cadres in Reform**  
*HK2306063388 Beijing RENMIN RIBAO in Chinese*  
18 Jun 88 p 1

[Commentator's article: "Accept the Test, Set an Example"]

[Text] Do the deepening of reforms, the development of a socialist commodity economy, and the implementation of the factory-director responsibility system imply giving up and weakening of political and ideological work? The experience of Tianjin Municipality in clearly defining the responsibilities of political cadres, making appropriate arrangements for them, and in arousing their enthusiasm, concern for, and participation in the reforms has provided a good answer to this question.

It is in our party's finest tradition that we are good at carrying out political and ideological work. Political cadres are the core strength in carrying out ideological and political work. It was the case in the past and will also be the case in the future. Over the past 10 years, in order to ensure smooth implementation of the reforms and opening up, masses of political cadres have been working hard and have not been upset by criticism; they have been quietly immersed in hard work. The results

are obvious to all. Of course, the new reforms and opening up have generated new demands on ideological and political work. Ideological and political work not only has to be strengthened, but also has to be transformed. Without transforming ideological and political work, it cannot be strengthened. At present, factory directors are responsible for carrying out ideological and political work for staff and workers. This is an important reform of the enterprise leadership system. New paths should be explored, and new patterns should be set up for the system, content, form, and method of ideological and political work. The practice of engaging in empty talk on political and professional matters must be dropped, otherwise our undertakings will be adversely affected. In the past, there were problems and malpractices in ideological and political work, mainly due to the old system. It is not fair to blame the cadres without any analysis. One important experience in Tianjin's calming the mood of political cadres is that leading cadres stand up for political cadres, openly speak for them, and talk about their contributions; encourage them on behalf of the organizations at a higher level; correctly guide public opinion in society; and create a good environment for them.

The prestige of political cadres should first be established through their work. However, political cadres are human beings. They also need the concern, care, understanding, and consideration of others. Reform should arouse everyone's enthusiasm and political cadres are held responsible for this. This is not possible if the enthusiasm of political cadres is not being cared for, but on the contrary is harmed by malpractices such as "pouring cold water" on political cadres, and "keeping them waiting." In transforming ideological and political work, and in reforming the leadership system of enterprises, we must proceed from realities, handle them in a safe manner, and advance steadily. We must not start the work on the spur of the moment, and must not adopt rigid uniformity. In particular, we must not dampen the enthusiasm of political cadres. Following Tianjin's example all areas should work hard to examine their experiences in this aspect.

At present, enterprises are at the intersection of economic and political structural reforms. Various contradictions are concentrated at this point, and the tasks of production and management and ideological and political work are arduous. Political cadres should now, as in the past, value the general interest first, obey the needs of the party's undertakings, and consciously accept tests. They should set an example in reforms in accordance with the spirit of the central authorities' circular on thoroughly implementing the "enterprise law."

**Article Discusses Enterprise Mergers**  
*HK2206092188 Beijing RENMIN RIBAO*  
in Chinese 6 Jun 88 p 5

[Article by Sun Shangqing (1327 1424 3237): "On Merging Enterprises"—passages in boldface as published]

[Text] In the last few years, with the contracted management responsibility system being extensively implemented, there has emerged a phenomenon of enterprise mergers in China. This has aroused concern among many people. In a socialist economy based on public ownership, will enterprise mergers be tolerated? Is the enterprise merger a phenomenon unique to capitalism? What is actually the relationship between the enterprise merger and reform? In my opinion, serious discussions should be conducted on these questions.

#### Commodity Economy and Enterprise Mergers [subhead]

The so-called enterprise merger refers to a form of absorption and merging of different enterprises. In other words, one enterprise absorbs one or more others or is merged into another one. Generally speaking, the enterprises that succeed in a merger scheme retain their names and continue to operate and those which are taken over cease to exist. In a commodity economy, various enterprises are locked in intense market competition, centering on prices. To consolidate their positions and gain more profits in competition, enterprises should do their utmost to use the most efficient production methods to minimize costs. For this purpose, on the one hand, enterprises should constantly strive for new technology, open up new markets, and expand their operations and on the other, they should work hard to improve the rate of returns. In this way, enterprises will have an internal motive to expand and so long as conditions permit, they will always strive for a more favorable position in the competition. One way to achieve this objective is to merge with other enterprises. Therefore, the enterprise merger is a kind of internal mechanism of enterprises in a commodity economy.

In the socialized commodity production activities, as conditions, opportunity, and quality vary from enterprise to enterprise, some enterprises will become advanced and others will fall behind in competition and some will be profitable and others will not. Along with this, some enterprises will be eliminated and others will expand through merging. This will help improve the organizational structure of enterprises and the structure of production and constantly raise economic results on a considerable scale. This being the case, the enterprise merger can be considered indispensable to the development of commodity economy. In the socialist commodity economy, production means are commodities and this holds true for products. Currency itself is even more a common commodity. The enterprise which is composed of production means and elements, such as funds, should naturally be regarded as a commodity that can be traded. The socialist market system includes both markets for commodities including consumer goods and production means and markets for production elements, such as funds, labor services, technology, information, and real estate. The commodity market alone cannot function well as a market mechanism. On no account must we equate enterprise mergers with capitalism and view them as a cruel action unique to capitalism. In

reality, where there is a commodity economy there exists the possibility of enterprises merging. In the commodity economy, therefore, the enterprise merger is a normal phenomenon in socioeconomic life.

The emergence of the enterprise merger in our economic life is certainly not accidental. It is the inevitable result of deeper enterprise reform. In the last 9 years, centering on the key link of enterprise invigoration, our country has adopted many reform measures, such as a profit retention system, delegation of decisionmaking power to enterprises, a two-step system of replacing profit delivery with tax payments, and the contracted management responsibility system currently in force. They have played a positive role in invigorating enterprises and bringing enterprise operation mechanisms onto a track consistent with the development of commodity economy. However, since these measures are designed mainly to handle the vertical relations between the state and the enterprises, they can hardly solve the problem of invigorating enterprises through lateral development or expansion in terms of enterprises' property relationship. Lateral economic association helps raise returns from operation but since the subordination relationship, ownership, and channels for financial delivery to the state of the enterprises which are members of a lateral economic association are unchanged (that is, the so-called "three no-changes"), such enterprises will always take their own interests into consideration. Hence, more often than not, there is a centrifugal trend in their joint activities. At the same time, since the contracts for enterprise associations have a time limit, the enterprises concerned cannot help approaching things on a temporary basis and give more consideration to short-term interests and less to long-term interests. To prevent the disintegration of associations, it is therefore difficult to thoroughly reform the enterprise structure of "being small but complete" and "big and complete." True, leasing management in enterprises can improve management and operation but short-term behavior is still hard to avoid because it involves no shift of property rights. Enterprise mergers came about as the natural result of developing lateral associations and implementing the leasing system on the basis of the achievements made in the enterprise consolidation drive in the early 1980's which resulted in closing, suspension, and merging of enterprises as well as the shifting of their lines of production. Enterprise mergers began to emerge in Baoding City, Hebei Province in 1984 and they have developed rapidly in the last 2 years. Enterprise mergers have taken place one after another in other provinces and municipalities. The general trend is that the number of enterprise mergers is steadily increasing, merger methods are becoming increasingly diversified, and enterprise mergers have brought very noticeable results.

The enterprise merger arising in the course of reform is the inexorable requirement of rationalizing the economic structure and raising the utilization rate of fixed assets. At present, our country has more than 700 billion



yuan in state-owned fixed assets and hundreds of thousands of state-owned industrial enterprises. Handicapped by some drawbacks in the traditional economic development strategy, the disconnected industrial outlays in the previous development stages, and an economic management structure characterized by administrative compartmentalization, a considerable portion of assets and some enterprises suffer from inherent deficiencies. At the same time, due to a rigid structure and a lack of fine-tuning mechanisms, they have some acquired characteristics that are very likely to inflict losses on them. Moreover, some enterprises can no longer meet the needs of economic development as science and technology are advancing and the market is changing. According to calculations, the two things mentioned above affect about one-third of available state-owned fixed assets. In the operation of the state-owned economy, there is a lack of an effective mechanism to promote the rational flow of available assets and property rights and the available assets structure lacks elasticity. Subject to fund and site shortages, some enterprises which have good economic results and a high technical level and need development have developed slowly while a batch of enterprises which are suffering losses due to mismanagement or are making only meager profits take up funds indefinitely and moreover, they rely heavily on state subsidies.

The grim reality urgently demands that the methods of managing state-owned assets be reformed in various ways. With the combination of this need and the development of the commodity economy, the emergence of enterprise mergers is thus inevitable.

#### Types and Ways of Enterprise Mergers in Our Country [subhead]

In a developed commodity economy, the enterprise merger is accomplished through the legal transfer with compensation of a certain enterprise's property rights to another enterprise through competition on the market. At the present stage in our country, as the commodity economy has just been developed and reform is being carried out, the enterprise merger does not assume such a typical form. The merger of state-owned enterprises in China at present finds expression in the transfer with compensation of enterprises' management power and the right to benefit. Only among enterprises under different ownerships is a transfer of genuine ownership involved. In terms of the situation of the country as a whole, the enterprise merger takes diverse forms, such as merging of enterprises of the same locality and the same trade; of enterprises transcending localities and trades; of different state-owned enterprises; of different collective enterprises; and also merging of collective enterprises by state-owned enterprises or vice versa. Methods of merging can be roughly summed up into two categories and five ways.

The first category is merging of ownership. It is achieved in the following two ways:

1. The merger of enterprises under different ownerships or different subordination relationships is completed in accordance with the principle of similar technologies, mutual needs, and mutual compensation for production elements.

2. A merger can be carried out in the form of mortgage mainly between a collective enterprise whose assets fall short of paying its debts and its biggest creditor.

The second category is merger of management power. It is achieved in the following three ways:

1. Within one assets group, the management power of inferior enterprises is centralized in superior enterprises and the status of the former as legal entities is thus annulled. This is the main form currently used in merging state-owned enterprises.

2. Management power is transferred to superior enterprises in the forms of contracting by legal entities or leasing. This merger form is used mainly by enterprises which have similar technologies but quite different technical and managerial levels with a view to developing serial products and the economy of scale.

3. Management power is transferred to superior enterprises through management of joint stocks and diversified ownership. This merger form is taken mainly by enterprises under different ownerships. To adapt themselves to market competition, management power of inferior enterprises is transferred to superior ones through management of joint stocks and realignment of property rights.

#### The Significance of Enterprise Mergers [subhead]

First, enterprise merging will help animate fixed assets and stimulate the reform of the investment pattern.

Currently, while China is adding to the amount of investment (or making additional investment) to expand reproduction, fixed assets and their corresponding working funds are kept in stock in large quantities and a huge percentage of such fixed assets have produced unsatisfactory economic results and about one-third of them are left idle. Meanwhile, new investment continues every year to launch new projects mainly of an extensive nature, resulting in year after year of inflated investment as many of them unnecessarily overlap. This has had a disastrous effect in two interrelated aspects: 1) Because the investment orientation is free from the effective control of an industrial policy and the principle of efficiency, instead of encouraging enterprises capable of gaining good economic results to develop more rapidly, efforts are concentrated to blindly support enterprises in disregard of their operation performance using administrative distribution methods. Consequently, the well-run enterprises cannot get more operating funds from the state and their momentum of development is thus gravely checked but the longstanding deficit-incurring



enterprises have failed for a long time to put an end to their plight. 2) When it comes to funds earmarked for upgrading fixed assets, while the state is unable to allocate more money for that purpose, a considerable portion of funds is diverted to construction of projects of an extensive nature in disguised form. This has made it difficult to rapidly change the situation in which enterprises operate using obsolete equipment and backward technology. Hence, the overall returns from investment are very poor.

Where does the way out lie? We must cast our eyes to the fixed assets that have remained idle for several decades as well as to circulating funds. If well-run enterprises can annex poorly-run enterprises so that the fixed assets currently in a state of coagulation can flow to the market, a new change will take place in the assets operation mechanism. Not only will this raise the utilization rate of available fixed assets but it will also help direct the flow of new state investment to advanced and superior enterprises in accordance with the requirements of the macroeconomic industrial policies, raise the returns of investment in the increased assets, and stimulate the reform of the investment pattern.

**Second, enterprise mergers are helpful for the readjustment of the product mix and the structure of production.**

Enterprise mergers are helpful for the realignment of elements of production and resources and can serve as a stimulus to the readjustment and improvement of the product mix and the structure of production. Meanwhile, through enterprise merger, superior enterprises can accelerate the formation of the economy of scale. In addition, the role of the enterprise merger mechanism will promote all localities to choose and develop their high-priority industries and products and to readjust their productive forces outlays in line with their natural resources, geographical conditions, and technical forces so as to establish a rational system of division of labor based on specialization nationwide in macroeconomic terms.

The irrationality of the product mix and the structure of production is an outstanding problem in our country's economic development. Enterprise merging plays a tremendous latent and positive role in structural readjustments. For example, our basic industries, such as energy and raw and semifinished materials, badly need to be strengthened and tertiary industries — in particular information and tourism — have long been relatively underdeveloped. This state of affairs calls for a moderate shift of related resources to the weak links. However, handicapped by the old structure and the lack of full competition on the market, the realignment of resources and elements of production has made slow progress. If the enterprise merger mechanism is strengthened, this will greatly change the situation and considerably improve our country's product mix and production structure as well as its macroeconomic distribution pattern of resources. Enterprise merging will help expand

the production of goods whose supply falls short of demand, curtail the production of goods whose supply exceeds demand, and improve the overall situation of total supply and demand.

**Third, the enterprise merger is an effective measure to solve the longstanding, puzzling problem of deficit-incurring enterprises.**

In China deficit-incurring enterprises have all along relied on government financial subsidies for their survival. In the early 1980's, enterprises were consolidated by administrative means, such as shutting some enterprises down, or suspending their operation, or amalgamating with other enterprises, or switching to the manufacture of other products but the results gained therefrom were not ideal.

Generally speaking, in the commodity economy, it is difficult for an enterprise to completely avoid suffering losses in its operation. The experience of world economic development shows that the problem of outstanding deficit-incurring enterprises is solved in two ways: enterprise bankruptcy and enterprise merger. Now our country has already had an enterprise bankruptcy law. However, in our country, since new structures are being substituted for the old ones, it is quite difficult for an enterprise to declare bankruptcy and moreover, socio-economic conditions for handling problems arising from bankrupt enterprises are still not complete. This being the case, enterprise mergers are helpful for steadily and effectively solving the problem of deficit-incurring enterprises. For example, in 1982, the number of city-run deficit-incurring industrial enterprises within the state budget in Baoding City, Hebei Province was 49 percent of the city's total, with the amount of losses amounting to 16.9 million yuan a year. With the introduction of enterprise mergers, the number has fallen year after year. By 1987 there were no more deficit-incurring enterprises in the city and the city's financial revenues increased by 21.7 percent over the previous year and rose by 139 percent from 1982. Rational arrangements were made for the placement of 2,956 employees of the 14 deficit-incurring enterprises annexed by other enterprises. It can thus be seen that centralizing more elements of production and resources in the hands of superior enterprises and their managers through enterprise mergers can produce tremendous economic results.

#### Several Policy Considerations [subhead]

1. Now that enterprise mergers are the conditions and result of the role of the market mechanism in the commodity economy, they are bound to have close connections with the growth of the market. As such, under present conditions, we should have a correct picture of the spontaneous mergers in market competition and bring about mergers from top to bottom with government departments acting as go-between. As our market is not complete, the former case is hardly universally feasible while the latter is of a universal nature. As

the owner and manager of state-owned assets, the government knows the operations of enterprises well and is in a position to gather market and science and technology information. While separating its functions from those of the enterprises, the government can do much in choosing the targets of enterprise mergers in a selective and step-by-step way, developing superior enterprises and high-priority products by putting into use local strong points, carrying out structural readjustments, and in eliminating deficit-incurring enterprises. In our work, we should conduct thorough investigations and study, actively support enterprise mergers, uphold the principle of voluntary participation and mutual benefit, and guard against forced mergers or avoid rushing headlong into mass action in an unplanned way in this regard.

2. When enterprise mergers were just starting, all localities failed to stress an accurate appraisal of the assets' value. In the merger process, generally speaking, the assets of state-owned enterprises are calculated on the basis of book value and no careful accounting is made as far as enterprises under different ownerships are concerned. However, as enterprise mergers develop, we should have a timely, clear scientific appraisal of the ownership and value of the assets. For this purpose, efforts should be made to combine such an appraisal with the reform of the state assets management and operation system and to conduct experiments and guide the whole situation with the experience gained in such experiments.

3. Since enterprise mergers are compatible with the other forms of reform, such as the contract, leasing, and shareholding systems, so, in directing the reform work, we should use such forms in the light of the actual conditions of different localities and enterprises in such an integrated way that each can complement the other.

4. In view of the spontaneous tendency of enterprise mergers to seek a monopolized market, we should consider working out an anti-monopoly law or an equal competition law as soon as possible. This will be conducive to the sound growth of the united market in our country's commodity economy and help enterprises conduct competition under roughly equal conditions.

**Daily Discusses Enterprise Stock System**  
*HK2306025588 Beijing RENMIN RIBAO*  
*in Chinese 10 Jun 88 p 5*

[Article by Song Yangyan (1345 7402 8827) and Wang Haidong (3769 3189 2639): "A View on Deepening Reform of State-owned Enterprises"]

[Text] Since the separation of the two powers [ownership and the power of operation], the state-owned enterprises have changed from government subsidiaries to commodity producers which carry out management independently and assume sole responsibility for profits and

losses. How to deepen reform of the state-owned enterprises on the basis of the separation of two powers is a problem that everyone is concerned about.

To deepen reform of the state-owned enterprises on the basis of the separation of the two powers, it is necessary to correctly understand the change in the property relations of the state-owned enterprises after the separation. Prior to the separation of the two powers there was only one source of property of the state-owned enterprises, namely, state investment. Subsequent to the separation of two powers, there are two main sources of property of the state-owned enterprises: One is state investment and the other one is the retained profits of the enterprises. The property of the state-owned enterprises is divided into two parts accordingly: One is state capital and the other is private capital. This property system of the state-owned enterprises can be called the "dual capital system" for short.

This dual capital system is the inevitable product of the integration of the state-owned enterprises and commodity economy. The commodity economy demands that the state-owned enterprises carry out management according to the principles of independent management and of assuming sole responsibility for profits and losses. To enable the state-owned enterprise management activities to suit the principle of the management of commodity economy, the state must vest the right of state-owned enterprise management in the enterprises. With the change in the right of management, a part of the profits of the state-owned enterprises will be transferred to the hands of the enterprises as income from management. Such a change in the profit distribution relations is the economic foundation for the generation of the dual capital system.

What warrants study is the nature of the ownership of the private capital. The nature of the ownership of the private capital is related to the nature of the ownership of the state capital to a certain extent. The direct owner of the state capital is the state and the ultimate owner is the whole people. The state capital is a special manifestation of the property of the whole people. Here, the state exercises the proprietary right of the state capital in its capacity as representative of the legal entity of the property of the whole people. The private capital is actually also a special manifestation of the property of the whole people. This is because the private capital is generated in the course of the accumulation of the retained profits of the enterprises. This accumulation is an economic and legal responsibility for the valorized property of the whole people undertaken by the enterprises to the state. Likewise, the enterprises exercise the proprietary right of the private capital in their capacity as representative of the legal entity of the property of the whole people. However, the private capital is different from the state capital to a certain extent. The difference is that the direct owner of the private capital is the enterprises but not the state. The nature of the ownership of the private capital shows: The emergence of the dual



capital system does not alter the nature of the ownership of the state-owned enterprises but only means that their ownership structure is changing from state ownership alone to combined state and enterprise ownership.

Once the dual capital system is acknowledged in the course of the economic operation of the state-owned enterprises, the state-owned enterprises will surely develop in the direction of the stock system. The stock system is an enterprise organizational form existing throughout the modern commodity economy. The condition for its emergence is that more than two owners of the property exist within an enterprise. Nevertheless, the socialist stock system emerging in the course of reform of the state-owned enterprises is essentially different from the capitalist stock system. First, the foundation of the ownership of the socialist stock system is public ownership; whereas, the foundation of the ownership of the capitalist stock system is private ownership. Second, the form of the stocks of the socialist stock system also differs from those of the capitalist stock system. Judging from the stock system already implemented by the state-owned enterprises, four forms of stocks are common, namely, the stocks of the state, of the enterprises, of the individuals, and of the legal entities. Of them, the state, individual, and legal entities' stocks can be found in the capitalist stock system but not enterprise stocks. The existence of enterprise stocks is an important characteristic of the socialist stock system.

Why do we say that there must be enterprise stocks in the socialist stock system? An answer can only be found from the special functions of those stocks.

The above-mentioned four forms of stocks can be, on the whole, divided into two categories: One category covers those that make up the enterprise internal capital, such as the stocks of the state and the stocks of the enterprises. This category of stocks can be called the internal stocks. Another category is the stocks that make up the enterprise external capital, such as the stocks of the individuals and the stocks of the legal entities. This category of stock can be called the external stock. Internal stocks have basically different functions from that of the external stocks. The function of the internal stock is to draw a clear demarcation line between the state capital and private capital and to straighten out the property relations within the enterprises. The function of the external stocks is to extensively raise capital in society and to increase the sources of the capital outside the enterprises. The former function is a function peculiar to the socialist stock system; whereas, the latter function is a common function of the socialist and capitalist stock systems.

The stocks of the enterprises occupy a very important position in the two forms of stocks which constitute the internal stocks. First, the existence of the enterprise stocks show that the private capital has been separated from the state capital and become the property of the

enterprises, thus possibly solving the long-standing problem that as commodity producers, the enterprises assume responsibility for profits only but not for losses and also have no ability to be responsible for losses. Second, as the enterprises are able to be responsible for profits and losses, there is a guarantee for the accumulation and valorization of the state capital. While the enterprises are seeking the biggest profits for the private capital, the profits of the state capital will surely increase accordingly. Third, to acknowledge the stocks of the enterprises is to acknowledge the legalization of the enterprises' and workers' pursuit of their own profits. This pursuit of one's own profits is the fundamental motive force of the enterprises' self-development. It will play a very important part in perfecting the enterprises' management mechanism and putting the enterprises' management behavior on a sound basis. Fourth, with enterprise stocks, the enterprises can be encouraged to promote accumulation and the excessively rapid increase in consumption funds can be controlled to a certain extent so that the enterprises can properly integrate the long-term with immediate interests and the development of production with increase in consumption. Fifth, the stocks of the enterprises are beneficial to promoting the direct combination of the laborers and the means of production and to further arousing the initiative and enthusiasm of laborers.

**Gong Yuzhi Discusses Productive Forces Issues**  
*HK2106022588 Changsha Hunan Provincial Service in Mandarin 2200 GMT 20 Jun 88*

[Excerpts] On the morning of 20 June, the Propaganda Department of the provincial party committee and the party committee of the provincial organs held a report meeting in the provincial party committee hall, at which Gong Yuzhi, Deputy Director of the CPC Central Committee's Propaganda Department, delivered a report on the question of the productive forces criterion. He pointed out: We should apply the criterion of whether the development of the productive forces is assisted to judge the correctness of making money and profit. We must not replace the productive forces criterion with the ambiguous slogan "Look for money in everything." Regarding this point, he said:

[Begin Gong recording] What our productive forces criterion demands is not to look for money in everything but to do everything for the development of the productive forces, because money is not a productive force. Productive forces produce material products, and in the conditions of socialist commodity economy, many material products are expressed as money. The successful results of such production activities are frequently expressed as profit. However, we cannot go on from there to say that all activities of making money and profit develop the productive forces. The development of the productive forces and the increase of material products are expressed as making money and profit in our [word indistinct] conditions, but this does not mean that all activities of making money and profit represent



development of production. Certain methods of making money and profit may damage production, for instance damage and indiscriminate tree-felling in the forests, damage to mineral resources, and environmental pollution which wrecks the ecology. These things seriously damage the fundamental conditions for production and threaten the [words indistinct]. [passage omitted]

Again, our newspapers often expose cases of speculating in certain materials in short supply and reselling them at a profit; after going through several hands, the price has risen four- or five-fold, which seriously undermines the interests of consumers and production and does nothing to improve the productive forces, but only damages them. [passage omitted]

Sabotaging agricultural production by supplying fake chemical fertilizer and pesticide is a question of (?law) and an instance of undermining the productive forces.

All these activities may result in making money and profit, but they are undermining the productive forces, not developing them. Therefore, whether making money and profit is proper and useful must be judged by the productive forces criterion. We must precisely apply the productive forces criterion to judge whether making money and profit is correct or not; we cannot use the ambiguous slogan "Look for money in everything," which may imply all kinds of wrong meanings, to replace the productive forces criterion. [end recording]

In his report, Gong Yuzhi fully endorsed and highly evaluated the province's methods in launching the discussion on the productive forces criterion. He also outlined his views on the relationship between the productive forces criterion and the four cardinal principles, and between the productive forces criterion and the overall arrangements for socialist modernization.

The report meeting was presided over by (Xia Zanzhong), member of the Standing Committee of the provincial party committee and director of the provincial Propaganda Department. [passage omitted]

**ECONOMIC DAILY Notes Hotel Competition**  
*OW2206231088 Beijing XINHUA in English*  
0706 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — Competition is forcing many hotels in Beijing, Guilin and Tianjin that are catering to overseas visitors to cut their prices, the "ECONOMIC DAILY" reported today.

"This competition will harm a sustained and stable development of tourism," the paper said.

Beijing has about 190 such hotels with 35,000 rooms able to accommodate four million people annually. But last year the city only hosted about one million overseas visitors, 26 percent of the accommodation capacity.

In Tianjin, only 33 percent of the 4,200 rooms in its 20 hotels are occupied annually. One hotel had the lowest occupancy rate of only 5 to 10 percent.

To attract customers, hotels are locked into serious competition, the paper said.

"Some grand hotels have cut their prices by 66 percent," the paper said.

"But this can only benefit the hotels at the expense of the interest of the country as a whole," the paper said. It said competition can't settle the problem of oversupply.

Rather, the government should stop excessive construction of the hotels and reduce the investment for the new hotels. A national body should also be set up to coordinate the hotel business and regulate the prices, the paper said.

**State Treasury Bond Markets To Open**  
*OW2306001488 Beijing XINHUA in English*  
0720 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — Beijing is opening state treasury bond markets to eliminate a blackmarket trade in the bonds. Eighteen such markets will start business tomorrow, the president of the People's Bank of Beijing announced today. Lu Xueyong said only privately-owned state treasury bonds issued in 1985 and 1986 can go to the market. Those owned by units, organizations and enterprises are excluded.

China issued 36.2 Billion yuan worth of state bonds from 1981 to 1987. The bonds earn an annual interest of nine percent and have a five-year term. But many bonds holders want to have cash and this has spawned black-markets.

Lu said that to maintain the reputation of the state bonds, it has become necessary to open lawful bond markets for holders to exchange. He said only stock corporations, trust and investment corporations and credit cooperatives can engage in this kind of business.

State bond markets have now been established in seven cities starting this April, including Shanghai, China's largest industrial city.

**Industrial-Commercial Bank Expands Services**  
*OW2306001088 Beijing XINHUA in English*  
0720 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — The Industrial and Commercial Bank of China is expanding its scope of business to incorporate more services dealing with foreign exchange, today's "ECONOMIC DAILY" reported. The new services include foreign exchange savings deposits, exchange by bills, discounts, loans in foreign exchange and settlement accounts.

The Industrial and Commercial Bank used to be a specialized bank dealing only in renminbi currency. Since 1985 it has set up 17 branches in the country's special economic zones, open coastal cities and some inland cities and has started to do business in foreign exchanges.

At the end of April foreign currency deposits totalled 357 million U.S. dollars and foreign currency loans were 134 million U.S. dollars. The deposits were up 14.4 percent over last year and loans up 54 percent.

The bank has financial links with 63 foreign banks, the paper said.

**Gold Production Booms in Qinghai**  
*HK2206141788 Beijing CEI Database in English*  
**22 Jun 88**

[Text] Xining (CEI)—Gold production has increased dramatically in recent years in Qinghai Province, northwest China.

So far, 120 verified gold reserves have been discovered. 16 mines are under construction, 10 of which are in operation.

The provincial government's gold purchases over the first five months this year are double those of the same period last year, while last year's purchases were three times those of 1985.

**43 Important Offshore Oil, Gas Discoveries Made**  
*HK2206141188 Beijing CEI Database in English*  
**22 Jun 88**

[Text] Beijing (CEI)—China has made 43 important oil and gas discoveries on 137 offshore structures tested by drilling, giving a ratio of success of 31 percent, vice-president of the China National Offshore Oil Corporation (CNOOC) announced here June 21.

These discoveries extend over several thousand km over China's continental shelf from north to south, hydrocarbon accumulations show that all the main sedimentary basins on the shelf are favorable petroliferous areas.

It has been proved by drilling and testing that the Huizhou depression, Dongsha uplift, Liaodong Bay depression and Beibu Gulf depression, are all promising hydrocarbon-accumulation areas.

**Course for Taoist Priestesses Opens**  
*OW2206095288 Beijing XINHUA in English*  
**1219 GMT 21 Jun 88**

[Text] Beijing, June 22 (XINHUA) — More than 60 Taoist priestesses were present today at a ceremony to mark the birthday of the Taoist deity, Lingbao, at the White Cloud Temple in Beijing. They came from 20

Taoist temples all over the country and are attending a special training course which was opened by the Chinese Taoist Association here last week.

This is the first training course ever for Taoist priestesses in China. The Chinese Taoist Association has run four training courses for priests since 1982, involving a total of 150 students.

Aged from 21 to 31, most of the priestesses have had secondary school education.

The half-year training course covers essential knowledge of Taoism, Taoist classics, Taoist ceremonies and discipline, history of Taoism, classical Chinese, composition and current affairs.

According to the association, China has 50 religious colleges and schools, but only Taoism has no educational institution of its own.

Li Wencheng, secretary-general of the association, said, the training class aims at training a core priesthood to inherit the Taoist tradition.

In recent years, Taoism has been attracting increasing attention both in China and abroad. Its "qigong" health regimen is undergoing a boom in popularity at present.

There are 220 Taoist temples in China with about 5,000 full-time priests.

**Government To Note Asian Population Day**  
*OW2306022188 Beijing XINHUA in English*  
**1341 GMT 22 Jun 88**

[Text] Beijing, June 22 (XINHUA) — China is to sponsor a series of activities July 1 marking the Asian three billion population day. According to an official of the National People's Congress (NPC) Education, Science, Culture and Public Health Committee, a Chinese leader will deliver a television speech on population policy.

A gathering of 300 well-known figures from various circles will be held in the Great Hall of the People July 1, jointly organized by the NPC Committee, State Family Planning Commission, China Family Planning Association and other departments, he said.

The official told XINHUA that the activities are arranged in line with the Asian Forum Beijing Declaration, adopted at the second conference of the Asian Forum of Parliamentarians on population and development last September.

Some 130,000 new lives are added every day to the Asian population which covers 60 percent of the world total, and by the year 2010, it is estimated, the Asian population will be numbered at four billion, the official said.



**East Region**

**Fujian Officials at Militia Reserve Meeting**  
*OW2206090388 Fuzhou FUJIAN RIBAO*  
*in Chinese 8 Jun 88 p 1*

[Text] The Nanjing Military Region held a meeting in Fuzhou from 2 to 6 June to exchange experiences in the reform of militia reserve service.

Those present heard briefings by Fujian's Fuzhou City and Xianyou County as well as by fraternal provinces and cities on their experiences in this regard. They discussed methods and measures for deepening the reform of militia reserve service.

In his concluding speech, Liu Lunxian, chief of staff of the Nanjing Military Region, called for further deepening the reform, rationalizing working relations, and improving the capacity of the reserve force. He also called for improving the quality of the militia while building socialist material and spiritual civilization, stepping up the education of militiamen in national defense, and strengthening leadership over militia reserve service. Deputy Secretary Jia Qinglin of the provincial party committee and Commander Zhang Zongde of the provincial Military District also spoke at the meeting.

Representatives from the Nanjing Military Region, provincial Military Districts, the Shanghai Garrison District, various military subdistricts, and large units of the Armed Forces stationed in east China attended the meeting. Secretary Chen Guangyi of the provincial party committee and Governor Wang Zhaoguo called on the representatives.

**Fujian Governor Meets With Japanese Businessman**  
*OW2206090088 Fuzhou FUJIAN RIBAO*  
*in Chinese 8 Jun 88 p 1*

[Text] Governor Wang Zhaoguo yesterday evening met with Maeda Matabei, chairman of the board of Japan's Maeda Company, the Japanese partner of Fujian's Huatian Joint Engineering Company contracting for the construction of the Shuikou Hydroelectric Station. Both sides exchanged views on how to solve some engineering problems in the hydroelectric station project.

Governor Wang said: The Shuikou Hydroelectric Station is one of our country's key projects as well as a project for friendship and cooperation between the Chinese and Japanese people. The Fujian provincial government and relevant departments will do their best to assist in the successful construction of the project.

**Fujian's Chen at Entrepreneur Award Meeting**  
*OW2206122988 Fuzhou FUJIAN RIBAO*  
*in Chinese 9 Jun 88 p 1*

[Excerpts] The conference hall of the provincial Trade Union Building was filled with jubilation yesterday morning as Chen Guangyi, secretary of the provincial party committee; Wang Yan, honorary chairman of the provincial Association of Entrepreneurs; Xiao Jian, vice chairman of the Standing Committee of the provincial People's Congress; and leaders of the provincial Economic Commission, Commission for Economic Restructuring, and Trade Union Council had a photo session with 50 factory directors and company managers who won the title of "Outstanding Entrepreneur." They were the first group of directors and managers to win this title. After the session, the leaders presented the certificates and prizes to the outstanding factory directors and company managers. [passage omitted]

The 50 outstanding directors and managers were selected by the Evaluation Committee of the provincial Economic Commission and the Association of Entrepreneurs at the recommendation of various localities and industries and trades. They were named "Outstanding Entrepreneurs" in recognition of their courageous, reform-minded managerial style and their contributions. [passage omitted]

**Soviet Journalists End Fujian Visit**  
*OW2206145788 Fuzhou FUJIAN RIBAO*  
*in Chinese 9 Jun 88 p 1*

[Text] The first visit to our province by a Soviet delegation from literary and art newspapers and journals concluded its activities and left Xiamen for Beijing yesterday.

The three-member delegation arrived in Fuzhou from Shanghai on 2 June. During its stay in Fuzhou, the delegation exchanged views and had informal talks with comrades of the Economics Research Institute under the Fujian Academy of Social Sciences and FUJIAN WENXUE [FUJIAN LITERATURE].

The delegation also made a trip to Quanzhou and Xiamen to visit construction sites in communities of returned Overseas Chinese and the special economic zone.

**Fujian To Issue Joint Venture Management Rules**  
*OW2306042588 Beijing XINHUA in English*  
*1336 GMT 22 Jun 88*

[Text] Fuzhou, June 22 (XINHUA) — The Fujian provincial government will soon issue a set of provisional regulations on labor management in Sino-foreign joint ventures.



A provincial official said the new regulations are designed to protect the autonomy of the joint ventures, and legal rights and interests of the investors and their employees.

The 43-article regulations stipulate that joint ventures may hire employees according to their own needs and decide on their administrative setups, the number of staff and wages

[words indistinct] the joint ventures to hire workers from other units. If disputes arise, the ventures can submit them to personnel departments for rulings.

Apart from the stipulations about the welfare of the employees and pensions of retirees, the regulations provide favorable treatment for women employees in pregnancy as well as labor safety conditions.

**Jiangsu Holds Foreign Trade Business Talks**  
*HK2206135988 Beijing CEI Database in English*  
22 Jun 88

[Text] Nanjing (CEI)—The five-day foreign trade business talks held in Suzhou, Jiangsu Province, resulted in a transaction volume of 170 million U.S. dollars.

This is the first time business talks were sponsored by Suzhou, one of the open cities in the Yangtze River Delta economic development zone.

Nearly 400 businessmen from 16 countries and regions attended the talks and 354 contracts (including those for processing and assembling) were signed. Transaction volume of import and export hit 111 million U.S. dollars. 46 projects with 59.12 million U.S. dollars were being negotiated of which six joint venture projects were granted business licences during the talks.

**Jiangxi Secretary Discusses Productive Forces**  
*OW2206130988 Nanchang JIANGXI RIBAO*  
in Chinese 10 Jun 88 p 1

[Text] The Jiangxi Provincial CPC Committee held an enlarged meeting of its Standing Committee from 6 to 7 June to discuss ways to deepen the study of the criteria of productive forces throughout the province. Comrades Wu Guanzheng, Liu Fangren, and other comrades attending the meeting aired their views enthusiastically. It was a lively meeting. The speakers expressed their views freely on how to accelerate construction and develop the economy in Jiangxi by upholding the criteria of productive forces in all spheres of endeavor.

The comrades who addressed the meeting were satisfied and pleased with the activities to discuss and study the criteria of productive forces launched by party committees at all levels in the province after the "Circular of the Jiangxi Provincial CPC Committee on Studying and Discussing the Criteria of Productive Forces" was issued on 27 May. The meeting held that because the provincial

party committee's circular explicitly pointed out the objective of and the specific requirements for studying and discussing the criteria of productive forces in light of reality, all party members and cadres felt that such a study and discussion were necessary. The meeting participants held that the current discussion was a continuation of the study of the documents of the 13th party congress and a further development of the discussion of the criterion for judging truth launched 10 years ago. A criterion is established by using productive forces as a criterion in judging all work. Carrying out this study and discussion successfully is of great theoretical and practical significance toward further emancipating our minds, understanding correctly the situation in the province, adhering to the strategy for developing the economy in the coastal areas, and accelerating Jiangxi's economic development.

In their speeches, the participants voiced their views on how to study and discuss the criteria of productive forces, touching on productive forces, production relations, the superstructure and the economic base, historical lessons and practical experience, and a wide range of political and economic issues. The main points of their speeches are as follows:

— It is necessary to handle firmly and yet reliably the "difficult problems," "hot spots," and "central issues" in reform and opening up to the outside world, and to carry out price reform successfully in accordance with the requirements of productive forces;

— it is necessary to understand correctly the situation in Jiangxi, and in accordance with the requirements of the strategy for developing the economy in the coastal areas, make good use of Jiangxi's favorable conditions, formulate a policy for economic development from the present to the year 2000, and also formulate a general program for agricultural development, strengthen the development of basic industries, and speed up Jiangxi's economic development;

— it is necessary to eliminate further "leftist" concepts as well as old concepts, acquire a better understanding of reform, develop a commodity economy, implement policies effectively, and take part vigorously in competition on domestic as well as international markets;

— it is necessary to uphold the four criteria for cadres and the criteria of productive forces, introduce competition, employ competent personnel boldly, and advance the reform of the cadre system;

— it is necessary to handle correctly the relationship between the interests of the part and those of the whole and the relationship between the government and departments, and to serve the interests of the whole and the collective;

— to develop a prosperous economy, it is necessary to have clean and honest party and government organizations and overcome unhealthy practices in these organizations and bad factors obstructing the development of productive forces;

— it is necessary to take into account the interests of the state, the collective, and the individual, adopt more flexible policies, and develop vigorously the individual economy and the private economy while maintaining the dominant role of public ownership;

— it is necessary to strengthen the building of a spiritual civilization and the development of democracy and the legal system in order to stimulate and protect the expansion of productive forces;

— it is necessary to ensure a situation of political stability and unity conducive to reform, opening to the outside world, and the development of productive forces. All people of Jiangxi should unite and work vigorously to develop its economy.

The meeting was presided over by Mao Ziyong, secretary of the provincial party committee. At the meeting he made a systematic speech on how to organize and guide the studies and discussions of the criteria of productive forces and on the investigations he has conducted since his arrival in Jiangxi more than a month ago. Following are the main points of his speech:

1. It is necessary to uphold the criteria of productive forces while adhering to historical materialism.
2. To understand clearly the criteria of productive forces is to lay a sound ideological foundation for accelerating Jiangxi's economic development.
3. It is necessary to apply the criteria of productive forces in reform and opening to the outside world.
4. All departments must observe the criteria of productive forces in their work without exception.

Attending the meeting were leading comrades of the Standing Committee of the provincial party committee, the provincial Advisory Commission, Discipline Inspection Commission, People's Congress, and government, and responsible comrades of some provincial departments and press units.

**Shanghai's Minhang Zone Draws Foreign Investors**  
OW2206203188 Beijing XINHUA in English  
1200 GMT 22 Jun 88

[Text] Shanghai, June 22 (XINHUA) — Half of the land in Shanghai's Minhang Economic Development Zone designed for foreign investors has been leased to 34 overseas companies, according to a zone official.

"I'm sure all the land in the 213-hectare zone will be leased next year," said Lu Youming, general manager of the Shanghai Minhang United Development Company.

By the end of May, the zone had attracted 140 million U.S. dollars in foreign investment, 80 percent from the United States.

Among the big United States firms that have built or are building factories in the zone are Coca-Cola, Pepsi Cola, Xerox and Squibb.

The Hong Kong Universal International Group, which is known worldwide for its "Matchbox" zinc toys, is the first to have opened a joint venture in the Minhang zone, 30 km southwest of downtown Shanghai.

The venture, now capable of manufacturing 20 million zinc toy cars annually, has recovered all its investment since it went into operation three years ago.

In the zone, foreign investors enjoy tax cuts and other preferential terms, and a full range of services, including banking, insurance, transport, commodity inspection and customs.

"We're going to expand the area of the zone so as to cope with the increasing numbers of overseas investors," Lu Youming said.

**Zhejiang Governor on Improving Economy**  
OW2206143888 Hangzhou ZHEJIANG RIBAO  
in Chinese 12 Jun 88 p 1

[Excerpts] The sixth annual convention of the Zhejiang Association of Business Management and the third annual convention of the Zhejiang Association of Entrepreneurs were held in Hangzhou from 9-11 June.

While the two conventions were in session, Shen Zulun, governor of Zhejiang, met with the outstanding factory directors and managers who had just been honored as outstanding provincial or national entrepreneurs and sought their advice on how to improve Zhejiang's economic performance. [passage omitted]

Shen Zulun said: Most of the issues people are talking about these days are those concerning commodity prices. In the final analysis, all issues concerning commodity prices, wages, agricultural and sideline products are issues relevant to enterprises' economic performance. If we cannot achieve a breakthrough in price reform, production will be restrained and the situation of supply and demand cannot improve. While carrying out price reform, we must consider the people's standard of living. If we have to compensate in wages, the ultimate goal is for enterprises to improve their economic performance. [passage omitted]



Shen Zulun urged the best entrepreneurs in Zhejiang and the country to set an example in improving economic performance and catch up with the world's industrialized countries. He also discussed with the entrepreneurs ways of improving distribution, intensifying ideological and political work, and instituting the share-holding system in enterprises, as well as development of exports. [passage omitted]

**Zhejiang Governor Attends Reforms Seminar**  
*OW2206144288 Hangzhou Zhejiang Provincial*  
*in Mandarin 0900 GMT 21 Jun 88*

[Text] The first provincial seminar on structural reforms closed in Hangzhou this morning. Governor Shen Zulun attended and addressed the graduation ceremony.

During the month-long seminar, the participants examined the current situation and the tasks of reform and opening up in Zhejiang, studied theories concerning the initial stage of socialism, socialist commodity economy, and economic reform, as well as guidelines of the CPC Central Committee and the State Council on economic reform. They also studied how to reform enterprises' operation and restructure ins governing planning, investment, material management, fiscal affairs, banking affairs, foreign trade, management of science and technology, commodity prices, and so forth. The seminar helped participants understand why reforms are necessary.

### **Central-South Region**

**Keen Competition Expected for Oil Bidding**  
*HK2206140388 Beijing CEI Database in English*  
*22 Jun 88*

[Text] Beijing (CEI)—Competition will be keen at the third round of public bidding to be held this autumn for exploring China's offshore oil at the mouth of the Pearl River in the South China Sea.

According to the Eastern South China Sea Company Corporation under the China National Offshore Oil Corporation, many foreign companies have bought geological data on the basin.

The thickness for oil shale is over 2,000 meters and the area is 50,000 square kilometers.

At the beginning of last year, the Lihua 11-1 oilfield, with an oil reserve of 100 million tons, was jointly discovered by Amoco Orient Petroleum Company of the United States and the Eastern South China Sea Company in a raised area in Dongsha.

Since 1983 joint explorations carried out by the Eastern South China Sea company and 27 foreign oil firms from nine countries have resulted in the discovery of 16 oilfields, including the Lihua 11-1 oilfield.

Joint exploration also brought about 15 cooperative areas, covering 45,000 square kilometers, or 34.8 percent of the total area of the basin, in which 600 million U.S. dollars were spent in drilling 59 wells in 49 different geological structures and oil was found in 25 of them.

**Hainan Reports Production Losses From Drought**  
*HK2306032788 Haikou Hainan Provincial Service*  
*in Mandarin 1000 GMT 22 Jun 88*

[Excerpts] According to HAINAN RIBAO, since September 1986 Hainan has suffered one of the most severe droughts ever recorded. In the face of this serious threat, social and mental stability has been maintained through the urban and rural areas, production has made steady advances, and there have been no instances of starvation or flight from famine. A song of triumph in man's ability to conquer heaven has been written.

During this 19-month drought, rainfall has been more than 40 percent below average for the period. Rainfall in Wenchang, Dongfang, Danxian, Changjiang, and Ledong Counties and Sanya City was more than half below average. By the end of May, reservoir storage throughout the island was only 30 percent of normal, and water could no longer be obtained from over half the large- and medium-sized reservoirs.

Agricultural crops have been hard hit by the drought. Last year the drought-affected area was 2.76 million mu, including 300,000 mu on which there was no harvest at all. Compared with the previous year, output of grain dropped by 200 million jin and of sugarcane by 20 percent. The sown area of early rice this year was 430,000 mu less than normal, while the spring-sown industrial crops have been seriously affected by drought.

Due to the prolonged drought, there has been a serious drop in grain output and people's livelihood has encountered great difficulty. Some 19.5 percent of the rural population is short of grain. Nearly 800,000 people find water difficult to find for daily use.

Drought has also directly affected industrial production. Many factories have halted production due to power shortage. [passage omitted]

**Disappointed Young Job-seekers Leave Hainan**  
*OW2206130688 Beijing XINHUA in English*  
*0136 GMT 22 Jun 88*

[Text] Beijing, June 22 (XINHUA) — Hainan Island, that has attracted thousands of job-seekers from the mainland since last year, witnesses them heading back home in disappointment.

The Chinese Government decided to make the island the country's newest province last year.



Excited at the news, thousands of people flooded to the island, looking for a new dream and seek a fortune. Of them about 85 percent were under 35 and 95 percent had college education, the "CH'NA DAILY" said today.

Pursuing the Hainan dream reflects the ideals and ambitions of many young and educated Chinese, the paper said, adding that "their urge to break away from tradition and systems which cage their creativity and energy should be understood, and seeking personal success is nothing to be ashamed of."

However, not everybody finds excitement and opportunity in Hainan. Most of the earliest arrivals have returned home. Currently there are about 1,000 staying in Haikou, capital of the island.

The largest proportion came from the southwestern province of Guizhou. But, now nine out of 10 have returned.

Many Guizhou youths had seen themselves as pioneers, proud to be able to build up a prosperous island from scratch. But they were dumbfounded to find that Hainan was actually more developed than most parts in their native province.

So, instead of being welcomed as pioneers, Guizhou people were asked "why do you come here as your native province needs to be developed as much as Hainan?"

While most who have returned from Hainan still cannot get over their feeling of loss, some have learnt a lesson from their experience.

**Hainan To Speed Up Power Construction**  
*OW2306042188 Beijing XINHUA in English*  
1432 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — The newly set-up Province of Hainan will give priority to power construction in order to improve its investment environment.

A Hainan official told XINHUA at the ongoing China-U.S. joint session on industry, trade and economic development that a group of power generating facilities, especially of thermal power, are under construction.

A 50,000-kw heavy oil generating set went into operation in April, and a coal dock with a handling capacity of 20,000 tons was finished recently.

The official said that this was only the first step in the province's power construction program.

Two other generating sets, each with generating capacity of 50,000 kw, will be completed respectively in the coming September and December, so the province will altogether add a total of 150,000 kw of power generating capacity in 1988.

Electricity is badly needed in Hainan Province, the official said. Its total installed capacity last year was only 390,000 kw, lagging far behind the demands of the new province's economic development.

**Hubei To Cut Construction of Large Buildings**  
*HK2306041588 Wuhan Hubei Provincial Service*  
in Mandarin 1130 GMT 22 Jun 88

[Excerpts] Governor Guo Zhenqian presided over an executive meeting of the provincial government on 20 June to look into the question of taking stock of large buildings, auditoriums, and zoos and construction projects not covered by the plans. The meeting demanded that the people's government at all levels implement rapidly the State Council circular on this topic and arrest resolutely the unhealthy trend of blind construction of large buildings, auditoriums, and halls. The meeting also decided to halt or postpone 14 such construction projects controlled by the provincial authorities. [passage omitted]

Since last year, Hubei has taken complete stock of all construction projects and halted or postponed 209 projects. This has slowed effectively the excessive growth of investment not covered by the plans, and ensured the construction of key projects. However, the overheated atmosphere of capital construction investment in the province has not yet been dispelled completely. The main expressions of this are a craze for large buildings, auditoriums, halls, and small cotton textile mills, and excessive investment in projects not covered by the plan. According to incomplete statistics, at present the provincial departments are now building or preparing to build 23 large buildings, auditoriums, and halls, with a total area of 278,600 square meters. In some places and departments the size of large buildings, auditoriums, and halls is growing larger and larger and their standards are continually rising.

Comrade Guo Zhenqian therefore pointed out in his speech that unless we take decisive measures to resolve the overheating in investment, especially the craze for large buildings, auditoriums, and halls, and the problem of projects not covered by the plans, this will have a serious impact on economic development during the last 3 years of the Seventh 5-Year Plan and even through the Eighth 5-Year Plan.

Guo Zhenqian announced the halting or postponement of 14 of the 23 large building projects under the provincial departments. Work on 6 of these is to be halted, involving a total area of 54,500 square meters. These six are the provincial township and village enterprise training center, the provincial Huafeng International Trade Building, the Wuhan office of the Chingjiang Development Company, the provincial activity center for the handicapped, the provincial electric power drainage and irrigation services building, and the provincial comprehensive commercial operations building. Eight projects are to be postponed, with a total area of 144,100 square

meters. These are the provincial international finance and trade building, (Hongshan) swimming and diving pool, color television center, fiscal and taxation building, public security hostel, salt company office building, Federation of Social Science Associations' activity center, and the (Tianan) Hotel. These comprise the first group. As the stock-taking is conducted in greater depth, there will also be a second and third group of projects to be halted or postponed. [passage omitted]

**Hubei Said 'Ideal for Foreign Investment'**  
*OW2306022088 Beijing XINHUA in English*  
1343 GMT 22 Jun 88

[Text] Beijing, June 22 (XINHUA) — Central China's Hubei Province has built up an environment ideal for foreign investment, according to Xu Penghang, deputy governor of Hubei, here today. He said the province will expand foreign trade, use of foreign investment and import of foreign technology this year.

More foreign funds will be used in education, processing of raw and semi-finished materials, telecommunications and export goods, and development of products that need imports, he added.

Over the past few years, Hubei has established economic and technological cooperation ties with more than 100 countries and [word indistinct]. Recently, the cities of Shashi, Yichang, Huangshi, Xiangfan, Ezhou and Suizhou were given the authority to handle foreign trade directly. In addition, Huangshi and Wuhan Harbors have been opened to foreign trade, and a fleet of 13 freighters sails regularly to Japan, Hong Kong and Singapore. The province also has railway links with Hong Kong and Europe, and a regular charter air service to Hong Kong.

**Hubei City Leader Refutes Price, Subsidy Rumors**  
*HK2306043788 Wuhan Hubei Provincial Service*  
in Mandarin 1130 GMT 22 Jun 88

[Text] According to CHANGJIANG RIBAO, in recent days a number of rumors about market prices have been rife in Wuhan. The rumors have it that, beginning on 1 July, all staff and workers will receive 40 to 70 yuan in subsidies a month, while all price restrictions will be lifted. Prices of grain, oil, water, and electricity will rise, and so on. The residents are very concerned over these issues.

Last night Vice Mayor (Dong Shaojian) answered reporters' questions. He told them that there is no basis for these rumors. He hoped that the residents will not give credence to such things. He said: Leading central comrades have recently made a succession of important remarks on the price issue. All have said that China's economic structural reform has reached a time when it is imperative to smooth out the price relationships. However, our most fundamental principle in carrying out price reform is to coordinate it with readjusting the

income policy and ensure that the masses' living standards will not decline during the reform but will gradually rise as production develops. There is no wavering on this principle. The masses should believe that in drawing up every major price reform scheme, we will carry out ample investigation and study, strive to make things more transparent, and act with caution in promoting price reforms in a planned way.

**Southwest Region**

**Sichuan's Governor Zhang Cited on Reform**  
*OW2306050288 Beijing XINHUA in English*  
1506 GMT 22 Jun 88

[Text] Beijing June 22 (XINHUA) — Zhang Haoruo, governor of China's most populous province — Sichuan — proclaimed today that the doors of the province are wide open to the outside world.

He made the remark at a large public relations activity in the Great Hall of the People here, where the current China-U.S. joint session on industry, trade and economic development is being held.

Sealed off in China's southwestern interior, Zhang said, Sichuan lacks some advantages enjoyed by the coastal regions. Yet the land of abundance can still use its rich resources and leading edges in research and industry to create favorable conditions for foreign investment and cooperation, he added.

The governor said Sichuan achieved dramatic successes in reforming its agriculture several years ago under Zhao Ziyang. The province must rely on further reform and openness for continued development, Zhang added.

He cited the successful cooperation between Sichuan and McDonnell Douglas in manufacturing aircraft parts to demonstrate the province's appeal to foreign investors, and said more foreign-funded ventures with advanced technology and export capacities would be set up this year.

Besides traditional export commodities like silk, garments and other local products, Sichuan has decided to expand its exports of machinery and electronic products in the future. The provincial government plans to push more cities and enterprises to enter the world market with greater foreign trade rights and export incentives.

Vice Governor Yu Hongsheng told the press briefing that Sichuan has approved 73 foreign investment enterprises and imported 500 technology items, involving a total foreign capital of 680 million U.S. dollars.

Sichuan's export value last year almost doubled from the figure of 1986 and exports in the January-May period last year by 20 percent compared with the same period last year, higher than the country's average increase this year.



When U.S. Ambassador to China Winston Lord asked the governor about his plans to attract foreign tourists to Sichuan's scenic spots, Zhang promised to quicken construction of air and other transport facilities.

Zhang, 55, graduated from Qinghua University in 1952 with a degree in chemistry and served as vice minister of foreign economic relations and trade before he was elected governor of Sichuan in January this year.

Sichuan also held a banquet with fashion shows and an exhibition of local products today at the Great Hall of the People in a bid to woo more foreign investors.

**Sichuan To Crack Down on Panda Poachers**  
*OW2306013088 Beijing XINHUA in English*  
*0817 GMT 22 Jun 88*

[Text] Chengdu, June 22 (XINHUA) — Sichuan Province is planning harsher measures to punish those engaged in killing, smuggling, and selling pandas, XINHUA learned today.

In a meeting held June 15-17, the provincial government declared that progress has been made in protecting the panda, but more stringent regulations are still necessary.

Sichuan began to crack down on panda poachers last August.

By mid-June of this year, nine people had been sentenced to life imprisonment, and 33 received jail terms of more than ten years, according to the provincial Higher Court.

**Only Independence Not Negotiable With Dalai Lama**  
*HK2306095588 Hong Kong AFP in English 0930 GMT*  
*23 Jun 88*

[Text] Beijing, June 23 (AFP)—China said Thursday that it will negotiate anything with the Dalai Lama except independence for Tibet, an apparently mollifying statement a week after the Tibetan spiritual leader made moderate proposals.

"We think there is a change in tone" in recent statements by the Tibetan spiritual leader, Mo Zhaopeng, head of the Tibetan Foreign Affairs Department said by telephone from Lhasa.

If the Dalai Lama or his representatives come to Beijing to negotiate, "all the problems could be discussed, except the question of Tibetan independence," the Chinese official said.

"Channels available to the Dalai Lama to contact central authorities are still open," he said, adding that Beijing's proposals for dialogue it has offered the Dalai Lama since 1979 are still good.

Mr. Mo accused the Tibetan spiritual leader, however, of continuing to seek to "internationalise" the Tibetan question and obtain "semi-independence" for the Himalayan land known as the "Roof of the World."

On June 15, the Dalai Lama said in Strasbourg, France, that China could control Tibet's foreign affairs and defence, if Tibet in return could have complete autonomy in other domains.

It was the first time he had clearly and publicly renounced independence for Tibet since he fled into exile in 1959.

These declarations seemed a major concession on the part of the Tibetan spiritual leader towards the Chinese government, which has also shown flexibility in recent months, analysts said.

But "he still wants to change the history, distort the reality and negate the fact that Tibet is an inseparable part of China," Mr. Mo said.

"We absolutely will not allow this. ... Tibetan independence is not acceptable. Partial independence is not acceptable either."

Several Chinese embassies in the West have reacted with uncharacteristic promptness to the Dalai Lama's overtures.

The Chinese Embassy in Washington, quoted Thursday by the NEW CHINA NEWS AGENCY, said the Strasbourg statements were "intended to turn Tibet into an internationalised issue" but that any effort by the Dalai Lama to muster foreign support to get China to give in "will never succeed."

The Dalai Lama's tours abroad are nightmares for China, with the Tibetan spiritual leader using Western media to denounce violence and destruction perpetrated in Tibet after the Chinese army entered in 1951 until the end of the Cultural Revolution in the late 1970's.

The Tibetan question has become even more irritating for Beijing since anti-Chinese unrest in Lhasa in October and March in which many people were killed and injured, observers said.

**Dalai Lama Interviewed on Relations With PRC**  
*PM2206110488 Paris LE MONDE in French*  
*22 Jun 88 p 4*

[Interview with Dalai Lama by Jean-Claude Buhner in Geneva on 19 June]

[Text] Geneva — "In my view, the majority of Tibetans want to separate from China, but the Chinese rule this out and nobody will help Tibet. If the present situation continues, it will mean even more suffering and destruction for the Tibetan people. The logical solution is to try

to find a way for the Tibetans to break the deadlock. So, we are saying to Beijing: If we obtain some concessions, or some kind of satisfaction, why should we not remain with you? The methods of implementing this proposal still have to be defined." The Dalai Lama is tireless in his determination to reach a modus vivendi between his country and China.

On a stopover in Switzerland, the exiled Tibetan spiritual and temporal leader, told us on Sunday 19 June what proposals he put forward during a private visit to the European Parliament in Strasbourg. He had previously informed the pope of those proposals during a meeting in the Vatican.

This initiative is new in that it advocates a system of association with China, allowing Beijing temporarily to maintain responsibility for foreign policy and defense. "We drew our inspiration partly from the Basic Law proposed for Hong Kong and from the Chinese offers to Taiwan."

He admitted that some Tibetans will criticize him for his moderation. In his view, it is more of a "compromise" — a way of throwing a line to an interlocutor who does not like to lose face.

"One of the key factors in our tragedy," the Dalai Lama continued, "is ignorance: The Chinese know nothing about Tibet. The Tibetans have never conceded their sovereignty to a foreign power since our nation was founded in 127 BC. The events which occurred after what the Chinese call the "liberation" in 1949, form the darkest period of our history. It is time that the Chinese leadership realized that the colonial method of governing occupied territories is now an anachronism."

By talking of association, has the Dalai Lama abandoned the idea of full independence for Tibet? "It is not a question of abandoning it," he replied. "In our view, Tibet has always been different, and has never been part of China. But, under certain conditions, two different and separate communities can join together, and others can separate for various reasons, because that is human nature and human history."

Although he reaffirmed that he is not seeking any post in a future democratic government, he refused to compromise on certain principles, continuing to demand "the demilitarization and denuclearization of the high land of the snows" to create "a zone of peace and a real sanctuary which would be the world's biggest nature reserve."

**Defense Minister Praises Yunnan PLA Unit**  
OW2206143988 Beijing XINHUA in English  
1153 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA) — Chinese National Defence Minister Qin Jiwei today called on a People's Liberation Army (PLA) unit stationed in the Laoshan Mountain area, in southern Yunnan Province, to make "fresh contributions" to China's modernization and military reforms.

The unit was honored at a meeting today called to commend its officers and men for repulsing attacks by intruding Vietnamese soldiers and helping local people in the border area with farm work.

At the meeting, Qin Jiwei expressed appreciation to the unit's officers and men on behalf of the Central Military Commission, the PLA Headquarters of the General Staff, the General Political Department and the General Logistics Department.

He urged them to stand the "test of victory", and keep modest and prudent in the face of honors and praise.

### North Region

**Shanxi County Practices 'Open Administration'**  
HK2106025188 Beijing RENMIN RIBAO  
in Chinese 5 Jun 88 p 1

[Report by Duan Cunzhang (3008 1317 4545):  
"Yuanping County Practices Open Administration To  
Promote the Building of Democracy"]

[Text] It had been 4 years since this reporter visited Yuanping County in Shanxi Province. Now the reporter was visiting the county again. When talking about opening up to the world and democracy, many people here liked to say: "When the doors on four sides are open, the wind comes in from everywhere." When asked about the meaning, they would say: "Without openness, there can be no democracy; and without democracy, reforms cannot be ensured. Therefore when the doors on four sides are open, the wind of democracy comes in from everywhere."

This reporter witnessed a fresh wind of democracy during his stay in Yuanping County. The county sells apartments openly. On one occasion a building with 48 dormitories for the county party committee and government was completed. Prices for the dormitories were set and a notice on the prices was put up at the gate so that county committee and government cadres could see it when going in and out of office. A free medical service is provided openly in the county. The 8,000 cadres enjoying this service in the county are classified into five categories. The annual fund for medical services has dropped from 1 million yuan to 710,000 yuan. The county openly invites applicants for jobs in the county government organs. Once, the county Personnel Bureau was going to recruit 27 cadres through an examination. It openly set the qualifications and requirements. There were 221 applicants taking part in the examination. The bureau announced the results and the names of successful candidates. Those who failed had nothing to complain about. The county appoints cadres openly. Once, the county party committee's organization department submitted names of candidates for bureau-level cadres to the county People's Congress for approval. After an assessment, five of the candidates failed the election. An open system has also been introduced in transferring



teachers out of schools run by the local people to government-run schools, in allowing teachers to pursue further studies in special subjects, and in allocating educational funds. Openness has become a "favorite" topic of the Yuanping people.

"Report both the good and bad news" is written over the entrance to the county party committee office building. Through 5 years of reform, the county's total income from rural economic development has increased by 100 percent, its revenues by almost 100 percent, and the balance of bank deposits by 200 percent. Many people feel proud of these achievements, but the county party committee and government have reminded them to take precautions against the "syndrome of reporting only the good news" and the "syndrome of self-comparison." The county sent a large number of cadres to conduct surveys on "weak points." They discovered that over 10,000 peasant households were living below the average standard and needed help badly. The county broadcasting station began to run special programs on "weak points" three times a day. The county television studio also provided special reports entitled "let the people know" and "let everyone supervise." The 90,000 loudspeakers throughout the county were linked with the hearts of the 420,000 Yuanping people. Everyone was encouraged to compare the county with the whole prefecture, the whole province, the whole country, and the whole world. The county's No 2 chemical fertilizer factory has been cited as one of four advanced enterprises for producing good quality products marketed to 18 countries including Japan and the United States. Now the factory enjoys a reputation in the international market.

Yuanping County has set up a criticism and suggestion awards system to expand the mass supervisory channel. County Procuratorate Office Director Wu Keqin once wrote a letter to the county party committee pointing out bluntly: "The county party committee suggested diverting water from the Yangwu He to the county seat to beautify the environment (Secretary Lu is even more interested in this project). In my opinion, this is a wrong decision wasting human and material resources. After providing three detailed reasons, the letter continued: "It has been reported that it will take 1 million yuan to complete this project (excluding voluntary workers). How much sweat and toil the people will contribute to the project! With this amount of money, we can complete many of the jobs (such as building schools) that have remained undone due to a financial shortage!" The letter concluded: "Please consider it again. On no account should we work regardless of time, location, and conditions or view problems in an isolated and inert manner, because this will damage the initiative of the county's people. I hope every leader of the county party committee will do something good that will remain in the hearts of the Yuanping people."

This emotional, critical letter was submitted to a Standing Committee conference of the county party committee and to a meeting of the county head's office. After

making a scientific assessment, the relevant experts confirmed that the decision on diverting water from the Yangwu He to the county seat was wrong. County party Secretary Lu Rizhou made self-criticism on behalf of the county party committee. A meeting of cadres was held in the county's Hongqi Hall where the county party committee announced the cancellation of the project and issued a 30-yuan prize to Wu Keqin for making the criticism and suggestion. The masses commented: In the past, projects were proposed by "official minds." When a secretary made a mistake, another secretary would come along and correct it. This time secretary Lu corrected his own mistake. Smart!

**Tianjin's Li Speaks at Meeting on 'Soft Science'**  
*SK2306053888 Tianjin TIANJIN RIBAO*  
*in Chinese 7 Jun 88 p 1*

[Text] On 6 June, at the Huibinyuan Hotel, the scientific research group viewing the subject of "Tianjin's Urban Rebuilding and Development" held a dialogue meeting concerning the results of the second-stage research. This was the first meeting of its kind ever held by municipal academic circles.

For a long period in the past, most scientific research units and scientific workers have selected research subjects by themselves and carried out their research independently. Because these units and workers have lacked ideological communication with policymaking leaders and practical workers, their scientific research achievements have frequently received a cold reception.

When the municipality decided to study the subject of "China's Urbanized Roads" in cooperation with the United States, Mayor Li Ruihuan pointed out: Because soft science differs from other sciences, workers engaging in soft science must conduct their work in close combination with leaders and practical workers. This is the only way to avoid the emergence of "blind orders" and "fruitless research." The dialogue meeting on the subject of "Tianjin's Urban Rebuilding and Development" was held based on this demand. Attending the meeting were responsible people from the municipal government, Construction Commission, Scientific and Technological Commission, and relevant bureaus. Also attending were specialists and practical workers from various municipal circles.

### Northeast Region

**Jilin's Jiu San Society Congress Ends 21 Jun**  
*SK2306052688 Changchun Jilin Provincial*  
*Service in Mandarin 0930 GMT 21 Jun 88*

[Text] The Second Jilin Provincial Congress of the Jiu San Society concluded in Changchun on the afternoon of 21 June after a 3-day session.

The congress participants conscientiously studied and comprehended the guidelines of the 13th CPC Congress, the 1st Session of the 7th NPC, and the 1st Session of the 7th National CPPCC Committee. They also listened to and examined the work report delivered by Chen Bingcong, vice chairman of the provincial committee of the Jiu San Society, on behalf of the first provincial committee of the Jiu San Society.

After full deliberations and democratic consultations, the congress participants elected (Ma Siliang) and 30 other persons members of the second provincial committee of the Jiu San Society; selected (Xiao Wei) and 5 other veteran comrades who enjoy high prestige and command universal respect as advisers to the second provincial committee of the Jiu San Society; and elected (Wang Minfu) and 9 other persons provincial delegates to the Fifth National Congress of the Jiu San Society.

During the session held on the afternoon of 21 June, the participants adopted the resolutions of the second provincial congress of the Jiu San Society. Meanwhile, the letters of praise awarded by the congress to veteran Comrades (Xiao Wei), (Liu Limin), and (Chen Ji), all of whom stepped down from leading policymaking posts, were read aloud. Feng Ximing, director of the United Front Work Department of the provincial party committee, attended and addressed the session.

At the first plenary session of the second provincial committee of the Jiu San Society, the participants elected (Wang Minfu), [names indistinct], (Lin Ruhao), (Chen Bingcong), (Chen Zhaosi), (Wu Yamen), (Zhou Zhengjie), (Zhao Enyong), (Zhao Huanzhang), (Cheng Fusheng), and (Xia Hongsheng) Standing Committee members of the second provincial committee of the Jiu San Society. They also elected Lu Shiqian chairman and Chen Bingcong, (Hong Shijing), (Zhang Huijie), (Chen Zhaofu), and (Xia Hongsheng) vice chairmen. Meanwhile, (Xia Hongsheng) was elected to serve concurrently as secretary general of the second provincial committee of the Jiu San Society.

**Jilin Democracy Promotion Congress Ends**  
*SK2306034288 Changchun Jilin Provincial Service*  
*in Mandarin 2100 GMT 21 Jun 88*

[Text] The Second Jilin Provincial Congress of the China Association for Promoting Democracy ended in Changchun on 21 June.

During the 3-day congress, the participants examined and passed the work report and resolutions of the Seventh Provincial Committee of the China Association for Promoting Democracy; elected the province's delegates to the Sixth National Congress of the China Association for Promoting Democracy; and elected the Second Provincial Committee of the China Association for Promoting Democracy. Zhu Jinghang was elected chairman of the second provincial committee of the China Association for Promoting Democracy; and Wang Jian,

(Pei Shuyun), (Peng Lelie), (Chen Youjing), and (Duan Chenggui) were elected vice chairmen. The newly elected Standing Committee members were: (Ma Zhushen), female; Wang Jian; (Wan Degui); Zhu Jinghang; (Li Chunzhong); (Wu Jingqin); (Chen Rubin); (Duan Chenggui); (Ma Fangying), female; (Zuo Huangtian); (Peng Lelie); (Pei Shuyun), female; and Pan Futian.

**Jilin Meeting Held on 'Unauthorized' Classes**  
*SK2206084288 Changchun Jilin Provincial Service*  
*in Mandarin 2100 GMT 21 Jun 88*

[Text] On the morning of 20 June, the provincial party committee and government held a meeting to adopt new measures and to make new arrangements to check the unauthorized opening of classes, collection of fees, and issuance of diplomas. Comrades Wang Zhongyu, Gu Changchun, and Liu Xilin attended and addressed the meeting.

Participants at the meeting analyzed the current situation of our province's adult education and listed the major manifestations of the current unauthorized opening of classes, collection of fees, and issuance of diplomas. It was noted: We should remain calm and clear-headed to understand the intense popular interest in study, diplomas, and creating profits emerging in society. We should protect the masses of youths enthusiasm to study and the initiative in the opening of schools through proper channels. However, we should resist resolutely the ideological trend of putting money above everything else. To correct the unauthorized opening of classes, collection of fees, and issuance of diplomas is never a task for a particular profession. It is a task that has direct bearing on the overall situation in safeguarding political stability and unity. We should further enhance our understanding of it, raise our awareness, strengthen our sense of responsibility, and mobilize forces from all quarters to carry out this task conscientiously.

To correct this unhealthy trend and promote the sound development of schools at various levels through various measures and channels, eight specific requirements in line with the guidelines of relevant state stipulations and the actual conditions of our province were put forward at the meeting.

First, we should comprehensively and conscientiously take stock of and register the various college and secondary specialized courses, skilled worker classes, vocational and technical training classes, short-term training classes, and subsidiary courses currently run by various schools, institutions, and departments. We should immediately stop all examinations designed for students to obtain certificates of schooling that are held in violation of relevant stipulations of state and provincial governments, and make the students [words indistinct]. We should clearly explain the situation and carry out the work successfully. If the students want to continue study, they may attend classes for self-taught students, and



participate in the regular examinations for self-taught students. Students who are still attending or who have graduated from unauthorized classes should also participate in regular examinations for self-taught students.

Second, the system to examine and approve the various schools and classes should be enforced strictly. Those that have not gone through the procedures for examination and approval, and those that have not been approved are unauthorized schools and classes. In every link of the procedures for examination and approval, there must be written (?approval), and all verbal opinions by any department or person are invalid.

Third, all schools of higher learning, secondary specialized schools, skilled worker schools, and various college and secondary specialized courses, skilled worker classes, short-term training classes, and subsidiary courses sponsored by relevant departments should strictly follow the standard for fees stipulated by relevant provincial departments.

Fourth, graduation certificates for students should be issued only by the schools at various levels and of various categories acknowledged by the state; other units and departments are not authorized to issue graduation certificates that indicate the record of schooling.

Fifth, we should control student recruitment advertisements strictly. No newspapers, magazines, or radio or television stations are permitted to carry advertisements for the various schools and classes that have not gone through the procedures for examination and approval and obtained official approvals.

Sixth, we should enforce strictly the law and discipline. Concerning schools and training classes opened in line with state stipulations, the state and local governments should protect their legal rights and interests and give them support. If problems arise in those that are opened, fees are collected, and diplomas issued without authorization, any units or individuals who make promises should be held responsible, and their legal liability should be pursued. We should handle according to law the small number of elements who harbor ulterior motives, seize the opportunity to incite trouble-making, and damage social order and public security.

Seventh, all localities should adopt effective measures to reduce and stop as much as possible collective visits to higher authorities for appeal concerning diplomas.

Eighth, we should strengthen leadership conscientiously. Correcting the unauthorized opening of schools, collection of fees, and issuance of diplomas is a complicated task that concerns policies and involves many fields. We should conscientiously strengthen leadership over it. We should not rely on education departments alone to carry

it out. All localities, departments, schools and institutions should attach importance to it, leading comrades should personally attend to it, and relevant departments should coordinate closely with one another to comprehensively carry it out.

The meeting stressed: After this meeting, all localities, departments, schools, and institutions should take immediate action. They should adopt a resolute attitude, carry out meticulous and conscientious work, take stable and sound measures, and use prudent methods. This task should be completed before mid-July.

**Liaoning's Dalian Uses More Foreign Capital**  
*OW2206083488 Beijing XINHUA in English*  
1520 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA) — Dalian has made much headway in introducing foreign technical know-how and attract foreign capital, Wei Fuhai, mayor of Dalian City, said here today.

Speaking at a meeting attended by over 100 Chinese and foreign entrepreneurs and scholars who are here participating in the ongoing China-U.S. session on industry, trade and economic development, which opened at the Great Hall of the People today.

In the past ten years or so, Wei said, Dalian has undertaken over 1,300 projects by introducing foreign technical knowhow and foreign capital. The total volume involved came to 1.2 billion U.S. dollars.

He said 136 joint venture enterprises have been started in Dalian, and the contract volume has reached 760 million U.S. dollars. Among them, 11 are American-invested enterprises with total contract volume of 100 million U.S. dollars.

Dalian Port, the second-biggest of its kind in China, is an important trading port for the entire northeast China and the eastern part of the Inner Mongolian Autonomous Region. The year 1987 saw Dalian Port rank first in handling exports and imports, which were worth 7.76 billion U.S. dollars.

Wei said Dalian has marked a good beginning in its cooperation in economy and trade with the U.S. "The potential for future cooperation is great," he said.

He cited a recent visit to the port city by U.S. Secretary of State George Shultz who said that American entrepreneurs will become increasingly aware of the potential of cooperation with China.

"I hope more and more American friends will go to Dalian to see for themselves our environment for foreign investment and trade," the mayor said.

**Liaoning Procuratorate Defends Intellectuals**  
*OW2206152488 Beijing XINHUA Domestic  
Service in Chinese 0615 GMT 16 Jun 88*

[By reporter Zhao Wenquan and correspondent Meng Yuan]

[Text] Shenyang, 16 Jun (XINHUA) — Zhang Fuli, chief procurator of the Shenyang City People's Procuratorate, held a discussion with intellectuals on 14 June. Zhang Fuli apologized to the several intellectuals who had been convicted erroneously during past crackdowns on economic crime and, at the same time, announced several specific measures to protect the legitimate interests of intellectuals:

- protect in accordance with law compensatory services performed by intellectuals during their spare time;
- protect in accordance with law the legitimate interests of intellectuals and promptly process, investigate, and deal with criminal cases involving false accusations and retaliation against intellectuals as well as major cases involving plagiarism and violation of intellectual products;
- conduct a review of major economic cases of the past few years involving intellectuals which were not properly handled and drew complaints from many quarters, clear up those that should be cleared up, redress those that should be redressed, and draw proper conclusions in all these cases;
- help intellectuals understand and familiarize themselves in good time with relevant policies and regulations so that they can dispel any misgivings and go ahead boldly to contribute their ability and wisdom;
- in investigating economic cases involving intellectuals, make earnest efforts to solicit the opinions of the leadership and the masses of the unit to which the person concerned belongs to ensure proper handling of the case.

**Liaoning Uses Science, Technology To Prosper**  
*OW2206145488 Beijing XINHUA Domestic  
Service in Chinese 1349 GMT 15 Jun 88*

[By reporter Jiang Min]

[Text] Shenyang, 15 Jun (XINHUA) — Liaoning has set forth an economic development strategy known as "relying on science and technology to make Liaoning prosperous." It has decided to invigorate its big and medium-sized enterprises as a major part of its effort to reform its science and technology management system and economic structure. It has also decided to establish a target system for appraising the technological advance of enterprises and to improve and perfect this system. By so doing, it hopes to put enterprises on the track of relying on technological advance.

One of our country's major industrial bases, Liaoning has 792 big and medium-sized enterprises. Although their number is only 3 percent of the number of industrial enterprises in the province, they contribute as much as 63 percent of the total value of industrial output. At present, however, these big and medium-sized enterprises are in a serious condition of "three old's and two poor's" (old enterprises, old equipment, and old technology; poor economic results and poor competitive capability). This problem is hampering Liaoning's economic development. In view of this, the Liaoning Provincial CPC Committee and government decided recently to take "relying on science and technology to make Liaoning prosperous" as the strategic ideology for its economic and social development, and determined that in carrying out this strategy, emphasis be placed on promoting the technological advance of big and medium-sized enterprises and expediting the transformation of traditional industries.

Measures set forth by the Liaoning Provincial CPC Committee and government for the implementation of this strategy include the following:

- A target system will be established to appraise the technological advance of enterprises. Targets will be set for the development of new products, the renewal of fixed assets, the quality of products, the proficiency of staff and workers, and the promotion of exports to earn foreign exchange. The achievement of these targets, and the enterprise's efforts to upgrade itself, will be used as major criteria in evaluating how well the plant director has done in attaining set objectives during his tenure and in fulfilling his duties under the managerial contract responsibility system. At the same time, an evaluation and examination system for enterprise leadership will be set up with technological advance as the main criterion.
- A policy will be formulated to encourage the technological advance of enterprises. High prices will be set for advanced technology and quality products. Price penalties will be applied to old-fashioned products manufactured in energy-consuming ways. Credit loans with preferential terms will be extended to support the development of vanguard enterprises which use science and technology. Enterprises may take a certain portion out of their sales proceeds and use it as a fund for developing science and technology so that they will gradually become principal investors in science and technology.
- A system which calls for the chief engineer to undertake responsibility for the technological advance of the enterprise, and a comprehensive quality guarantee system, will be established. International quality standards



will be used in all places. A system of disqualifying products which fail to meet required standards, and a system of quality supervision and examination, will be strictly enforced.

— Criteria will be set up for "vanguard enterprises in scientific research." A campaign to become "vanguard enterprises in using science and technology" will also be launched. At present, 62 enterprises have been listed as provincial-level "vanguard enterprises in scientific research."

In "relying on science and technology to make Liaoning prosperous," the Liaoning provincial party committee and government have set the following objectives: Pillar industries should be developed, traditional industries transformed, and new-technology industries further promoted, all by relying on the advance of science and technology. By the end of this century, the technology used by major industries and in principal areas of production in the province should approach the technological level of economically developed countries in the 1980's, scientific research should reach the level of economically developed countries in the 1980's and early 1990's, and the share contributed by advance in science and technology to the province's economic growth should be raised from the present 30 percent to more than 50 percent.

### Northwest Region

**Shaanxi Leaders Stress Production Criterion**  
*HK2306024388 Xian Shaanxi Provincial Service  
in Mandarin 2330 GMT 22 Jun 88*

[Excerpts] Provincial party committee Secretary Zhang Boxing and Governor Hou Zongbin stressed during an inspection of Yulin from 15 to 18 June that leaders at all levels must regard the discussion on the productive forces criterion as an important cardinal link in implementing the basic line, and stimulate the effort to update concepts, emancipate the mind, and further deepen reforms.

Zhang Boxing said: Yulin is the northernmost part of Shaanxi. Its communications are poor. Such a place is very apt to make people mentally stagnant. It is necessary to further update concepts and emancipate the mind. The way to do this is to get a good grasp of education in the party's basic line, the productive forces criterion, commodity economy, and reform and opening up. It is particularly necessary to regard the discussion on the productive forces criterion as an important cardinal link in implementing the basic line. [passage omitted]

Zhang Boxing said that there are great prospects for Yulin. The Shenfu coalfield has the finest quality coal, and its potentials are very great. Agriculture should also be grasped. You should not relax grain production, while focusing on forestry, pastureland, and animal husbandry, and establishing shelter belts.

## Hong Kong

### UK Trade Secretary Young Concludes Local Visit

#### Hopeful on Future

OW2106131588 Beijing XINHUA in English  
1127 GMT 20 Jun 88

[Text] Hong Kong, June 20 (XINHUA) — Britain's industrial and commercial sectors do not view 1997 as the closing of an era but as the continuation of the present challenges and opportunities in the Hong Kong market.

This was stated here today by the British secretary of state for trade and industry, Lord Young, who is making a four-day visit in Hong Kong.

He told the British Bulldogs and the British Chamber of Commerce in Hong Kong that it was right to view 1997 with confidence. Hong Kong was an important market in its own right.

"Hong Kong's successful economic performance is built on trade. The United Kingdom's one billion sterling (1.78 billion U.S. dollars) of exports actually amounts to only three percent of the market," he said.

He also indicated that British companies have a lot to do to exploit their ties with Hong Kong which is noted for its easily accessible markets and payment in a readily exchanged currency.

"I am convinced that never before have UK companies been as well placed to take advantage of the opportunities," he said.

On the British economy, Lord Young said that Britain had entered its eighth successive year of steady growth, faster than all other major European Community countries.

He said the UK's economic success was built on very much the same foundations as Hong Kong's.

#### Urges Investment

HK2306065388 Hong Kong SOUTH CHINA  
MORNING POST (BUSINESS POST) in English 23  
Jun 88 p 1

[By Chan Chi-keung]

[Text] British Secretary of State for Trade and Industry Lord Young hailed Hong Kong as a very attractive market for British businessmen on the last day of his visit to the territory.

Lord Young said yesterday that British industry viewed Hong Kong's future up to and beyond 1997, when Hong Kong will be handed back to China, as a continuation of the present challenges and opportunities.

"Hong Kong is a very attractive market. That is the message I'll be taking back to the UK," he said.

Lord Young, who arrived in Hong Kong on Sunday [19 June], said: "I have thoroughly enjoyed my latest visit to Hong Kong. I've talked to leading British and Hong Kong businessmen and visited major projects."

He said one objective of his visit was to find out what local businessmen thought about British Goods and machinery. The trip, which involved a meeting with the Governor, was aimed primarily at encouraging and promoting British business in the territory.

The Secretary had discussions with Lord Kadoorie, chairman of China Light and Power, and Hong Kong tycoon Li Ka-shing.

"I wanted to find out from them exactly how much more competitive the UK has become. It's important, just as someone goes out and sends his products to his customers, to go out to see the reactions of the customers," he said yesterday.

Lord Young said he wanted to see more British firms in Hong Kong. He reckoned that the number had risen to 400 this year from 250 two years ago, with some 2,500 British companies having agents in the territory.

He said British firms, depending on their trades, might have to face different difficulties here, but he recognised there was general confidence in Hong Kong despite mild uncertainty after the October crash.

The interface with China was an obvious advantage for Hong Kong but the merits of the territory could make it stand on its own, he said.

"They are very different markets. The reason why I come here and then go straight home clearly shows Hong Kong is as important as China itself," Lord Young said.

He said demand for capital goods in China, which is actively developing its infrastructure, was higher while Hong Kong absorbed a considerable amount of consumer products from the UK.

UK annual exports to Hong Kong have passed the 1 billion pound (about HK\$14.1 billion) mark, a five per cent increase over 1986. Exports to China amounted to about 500 million pound.

According to British Trade Commission figures, the UK had a 3.2 per cent share of Hong Kong's import market and was the sixth largest supplier from around the world and the largest from Europe.

The bilateral balance of trade remained in Hong Kong's favour, with UK imported goods from Hong Kong valued at 1.53 billion pound.



**CITIC Sells Local Bank Shares to PCBC**  
**HK2306031388 Hong Kong SOUTH CHINA**  
**MORNING POST (BUSINESS POST) in English 23**  
**Jun 88 p 1**

[By Eva To]

[Text] The state-owned People's Construction Bank of China [PCBC] has acquired a 9.1 percent stake in the locally listed Ka Wah Bank. The bank bought the interest from another state-owned concern—China International Trust and Investment Corp—for \$36 million.

CITIC sold 20 million of Ka Wah's ordinary shares to PCBC for \$1.80 each. When CITIC bailed out Ka Wah two years ago, it took control of 92.4 percent of the bank but after the new deal, its stake has been reduced to 71.4 percent.

The PCBC transaction came just two days before the stock exchange deadline which required that at least 25 percent of Ka Wah's shares be in public hands.

Apart from enabling CITIC to meet the stock exchange requirement, the deal also represents the first overseas investment for PCBC—the third largest of China's state banks in terms of assets. Although it specializes in financing major construction projects in the country, the bank announced a few months ago that it was planning to internationalise its operations.

Bankers said yesterday the deal would greatly facilitate PCBC in its future activities in the international market. According to Chinese bankers, the deal is the first open co-operative venture between the two powerful Chinese financial institutions and will further strengthen the status of Ka Wah as a Hong Kong-based financial vehicle with leading mainland interests. They expect Ka Wah to have an increasingly important role to play in financing China projects.

When CITIC bailed out Ka Wah two years ago, it injected \$350 million into the bank in exchange for 92.4 percent of its ownership. However, the high level of ownership did not conform with the stock exchange rule which requires a minimum 25 percent public ownership. Ka Wah requested a temporary waiver, which was granted by the Stock Exchange of Hong Kong. The two-year waiver required that at least 25 percent of Ka Wah's shares were in public hands by today.

In April CITIC placed 20 million new ordinary shares of Ka Wah with another Chinese-backed concern—Tellon Development Ltd—also at \$1.80 per share. The new shares represented about 9.2 percent of the bank's ordinary shares then or 8.4 percent of the enlarged capital base. The new issue also diluted CITIC's holdings in Ka Wah from 92.4 percent to 84 percent.

According to a Ka Wah Bank release yesterday, 28.6 percent of its shares are now owned by the public. The stock exchange's 25 percent requirement has now been met technically, although the three Chinese companies now collectively own 88.9 percent of Ka Wah.

One market analyst said yesterday it was hard to say whether the transaction price of \$1.80 per share was a fair one because it was effectively "a family deal". Whether the price was reasonable, one analyst said, mainly depended on the bank's earnings potential, which would be very difficult to gauge in the absence of some key information on the bank's operations. "As a bank that is in the process of recovering, it might not be worth that much. But the bank's potential is tremendous given the strong Chinese backing," he said.

According to China observers, the other two of China's four specialised banks—the Agricultural Bank of China and the Industrial and Commercial Bank of China—are expected to step up their activities in international markets following the PCBC investment in Hong Kong. Before China's recent financial reforms, Bank of China, China's specialist foreign exchange bank, was the only state bank allowed to engage in international business. But about two years ago, Beijing began encouraging the other specialist banks to step into each other's previously exclusive business areas in a bid to provide greater variety of funding channels to back China's surging economic activities. The three other specialist banks were then allowed to conduct limited foreign exchange businesses and have been allowed to expand overseas.

Following the decision by China's State Administration of Exchange Control to allow PCBC to handle foreign exchange accounts and raise funds in overseas markets, PCBC raised US\$246 million in Hong Kong last year in its first foray into the international market.

**PRC Officials Seek Compromise on Basic Law**  
**HK2306033388 Hong Kong HONGKONG STANDARD**  
**in English 23 Jun 88 p 1**

[By Yau Shing-mu and Matthew Leung]

[Text] China's representatives in Hong Kong have spent the past two months lobbying for a compromise on the conflicting blueprints for the post-1997 government produced by Hong Kong's liberals and conservatives.

The STANDARD has learnt that senior officials of the XINHUA NEWS AGENCY, including vice-director Mr Mao Junnian, have been meeting liberal group leaders and local businessmen, offering to act as go-betweens. This is being seen as an attempt by Chinese officials to narrow the political chasm between the two groups.

Executive councillor and Basic Law drafter Miss Maria Tam yesterday made a similar call for compromise among local political forces. Speaking after the opening ceremony of an international conference on the role of

Japan in Asian countries, Miss Tam said: "Now different groups are entrenched in their own positions. If the situation is preserved and prevalent till the end of the consultation, I, as a drafter wouldn't know how to make a decision.

"Any decision (in the absence of a consensus) then made by the drafts might not be acceptable to either party.

"It's better for Hong Kong people to find a compromise among ourselves rather than have others provide one for us," she said.

The idea of a compromise is beginning to find favour among members of both camps. They believe it is necessary to prevent China from imposing its own post-1997 model on Hong Kong—a model which might be unacceptable to all parties concerned. But representative from both sides told THE STANDARD that they are unlikely to talk things over in the next two months because they are not ready to make any concessions.

Instead, the two key rival groups, the Joint Committee on the Promotion of Democratic Government, the umbrella group of local liberals, and the Group of Professionals and Businessmen in the Basic Law Consultative Committee, are launching hard-sell campaigns to promote their respective models. They hope to get more public support to lend strength to their ability to bargain for more concessions when the five-month consultation period on the Basic Law draft ends in September.

China is known to be worried about the debates between the liberals and conservatives getting out of hand and ending up in a confrontation which could upset the stability of the territory.

The XINHUA chief, Mr Xu Jiatun, recently called for a ceasefire.

Contention centres on whether a grand electoral college should be created to elect the chief executive of the Hong Kong Special Administrative Region and a portion of

law makers after 1997. Members of the rival groups believe future negotiations for a compromise would focus on what the size of the grand electoral college should be and how many people should be directly elected to the future legislature. The business lobbyists, dubbed "the Group of 81," support the idea of a grand electoral college, while the liberals prefer universal suffrage.

Some business group members like Miss Veronica Wu and Mr James Tien are backing the compromise call.

"What I'm afraid of now is that Beijing alone will decide our political structure in the light of the opinion split among Hong Kong people," Miss Wu said. She urged the liberals to put aside their differences and work with them (the conservatives) to find a way out of the impasse.

Individual members of "the Group of 81" recently approached the liberals to test their willingness to talk, but were coldly received. Members of the business group argued that they would not give up their idea of a grand electoral college, adding that the directly elected element in the future legislature was negotiable.

Views in the liberal camp, which is made up mainly of grassroots leaders, social workers, religious people and lawyers, are divided on the question of seeking a compromise. Some support Miss Tam's argument, but others believe it would be better for Beijing to suggest a compromise model which they believe would not be any worse than their rivals'.

"They (Chinese leaders) understand compromise. Let them do it. If we produce a compromise now, they'll produce a compromise within the compromise, which will result in us conceding more in the end," said a liberal lawyer who declined to be named.

The chairman of the influential liberal group Meeting Point, Mr Yeung Sum, said he saw the need for a compromise. But he said it was more important to seek the views of the public before rival groups talked things over at the table.



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